



MARIN COUNTY TRANSIT DISTRICT

San Rafael, California

A Component Unit of the County of Marin, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Years Ended June 30, 2016 and 2015

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MARIN COUNTY TRANSIT DISTRICT
(A Component Unit of the County of Marin, California)
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Years Ended June 30, 2016 and 2015

Prepared by the Finance Department

SAN RAFAEL, CALIFORNIA

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MARIN COUNTY TRANSIT DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

For the Years Ended June 30, 2016 and 2015

INTRODUCTORY SECTION

Letter of Transmittal i
Principal Officials viii
Organizational Chart ix
Service Area Map x
GFOA Certificate..... xi

FINANCIAL SECTION

Independent Auditor’s Report 1
Management’s Discussion and Analysis..... 4

Basic Financial Statements:

Balance Sheets 10
Statements of Revenues, Expenses and Changes in Net
Position..... 11
Statements of Cash Flows 12
Notes to Financial Statements 14

Supplementary Information:

Budgetary Comparison Schedule – Operations:
For the Year Ended June 30, 2016 30
Budgetary Comparison Schedule – Capital:
For the Year Ended June 30, 2016 31
Budgetary Comparison Schedule – Reconciliation to
Statements of Revenues, Expenses and Changes in Net
Position:
For the Year Ended June 30, 2016..... 32

STATISTICAL SECTION (Unaudited)

Table of Contents.....33

Financial Trends:

Schedule of Net Position – Last Ten Fiscal Years34
Statements of Revenues, Expenses and Changes in Net Position – Last Ten Fiscal Years ..35

Revenue Capacity:

Passenger and Fare Data – Last Ten Fiscal Years37
Fare Structure as of June 30, 201638
Property Tax Revenue – Last Ten Fiscal Years39
Assessed Valuation of Taxable Property in Marin County – Last Ten Fiscal Years40
Direct and Overlapping Property Tax Rates in Marin County – Last Ten Fiscal Years41

Debt Capacity:

Outstanding Debt Balances – Last Ten Fiscal Years42

MARIN COUNTY TRANSIT DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS (CONTINUED)

For the Years Ended June 30, 2016 and 2015

Economic and Demographic Information:

Economic and Demographic Statistics – Last Ten Fiscal Years.....43
Principal Employers – Current Year and Nine Years Ago44

Operating Information:

District Profile as of June 30, 201645
Non-operating Intergovernmental Revenues by Source – Last Ten Fiscal Years46
Summary of Service Provider Contracts as of June 30, 201647
Summary of Capital Assets– Last Ten Fiscal Years48
Vehicle Operating Statistics – Last Fiscal Year49

SINGLE AUDIT SECTION

Compliance Reports:

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*, the Transportation Development Act and Other State
Program Guidelines..... 50
Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control over Compliance Required by the Uniform Guidance..... 52
Schedule of Findings and Questioned Costs 55
Schedule of Expenditures of Federal Awards 57
Notes to Schedule of Expenditures of Federal Awards 58

INTRODUCTORY SECTION



711 grand ave, #110
san rafael, ca 94901

ph: 415.226.0855
fax: 415.226.0856
marintransit.org

November 14, 2016

The Board of Directors
Marin County Transit District

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Marin County Transit District (the District) for the fiscal years ended June 30, 2016 and June 30, 2015.

board of directors

kathrin sears
president
supervisor district 3

katie rice
vice president
supervisor district 2

stephanie moulton-peters
2nd vice president
city of mill valley

judy arnold
director
supervisor district 5

maribeth bushey
director
city of san rafael

damon connolly
director
supervisor district 1

steve kinsey
director
supervisor district 4

The District's enabling legislation requires an annual audit of the District's financial statements. This report is published to fulfill that requirement for the fiscal years ended June 30, 2016 and 2015.

Management of the District is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and, (2) the valuation of costs and benefits requires estimates and judgments by management. Management believes internal controls in place are adequate to ensure the financial data provided herein is materially accurate.

Richardson & Company, LLP have issued an unqualified ("clean") opinion on the District's financial statements for the years ended June 30, 2016 and 2015. The independent auditor's report is located at the front of the financial section of this report. This report has been prepared by the Finance Department following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA) and is in conformance with generally accepted accounting principles for state and local governmental entities established by the Governmental Accounting Standards Board (GASB). Generally accepted accounting principles require that management provide a narrative introduction, overview

and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors. Responsibility for the accuracy, completeness and fairness of the presented data and the clarity of presentation, including all disclosures, rests with the management of the District.

In accordance with the above-mentioned guidelines, the accompanying report consists of four sections:

1. The **INTRODUCTORY SECTION** contains this letter of transmittal, a list of principal officials, the District's organizational chart, and service area map.
2. The **FINANCIAL SECTION** begins with the Independent Auditor's Reports and Financial Statements. The notes, an integral part of the Financial Statements, are intended to further enhance an understanding of the District's current financial status.
3. The **STATISTICAL SECTION** provides information that is useful for understanding the District's financial condition and depicting the past 10 years of history and financial and operational trends of the District.
4. The **COMPLIANCE SECTION** includes the Auditors' reports required under the federal Single Audit Act, the Public Transportation Modernization Improvement and Services Enhancement Account (PTMISEA) guidelines, and it provides assurance of the District's compliance with those laws and related regulations.

The following provides an overview of the District's history, services, local economy, planning initiatives and policies.

PROFILE OF THE GOVERNMENT

History

The Marin County Transit District ("Marin Transit" or the "District") was formed by a vote of the people of Marin County in 1964 and was given the responsibility for providing local transit service within Marin County. Marin Transit is a component unit of the County of Marin, California. Although Marin Transit has responsibility for local transit services, it does not own any facilities and does not employ its own drivers. Instead, Marin Transit contracts with other providers, including Golden Gate Transit, Marin Airporter, MV Transportation, Michael's Transportation, and the Senior Coordinating Council (Whistlestop Wheels), for local bus and paratransit services.

Prior to a major fixed route service restructuring by Golden Gate Transit in November 2003, the primary responsibility of Marin County's transit district was to manage and administer the paratransit contract for both local and regional paratransit services in Marin County. For fixed route services, Marin Transit was historically a "pass through" agency, providing funds for local

services managed by Golden Gate Transit. With the 2003 service restructuring, Marin Transit took on increased responsibility for the planning, outreach, oversight, and management of local fixed route transit services throughout the County.

The passing of Measure A, Marin County's ½ cent sales tax increase, in 2004 further propelled the responsibility of Marin Transit under a 20-year expenditure plan providing a dedicated local funding source for public transit within the County. This new funding source allowed the District to fund its local big bus fixed route services, expand the rural Stagecoach service, and introduce the community shuttle program.

The Muir Woods Shuttle program was inaugurated in 2005 and became the responsibility of Marin Transit in 2009. Although the County of Marin started the program as a demonstration project, its success in reducing transportation impacts on the National Monument and surrounding areas has led to a formal partnership between the District and the National Park Service.

Internal growth within the District has also occurred as responsibility for local service has increased. Staffing levels prior to the passage of Measure A included one full-time and one part-time employee. With the passage of Measure A, the number of full-time employees grew from 1.5 to 3.5 in 2006 and then to 5 employees in 2008. As of June 30, 2016, the District has 13 full-time employees.

Services

Fixed Route

Marin Transit operates transit service on 31 routes within Marin County. Over 3.3 million trips were made on the local fixed route network in FY 2015/16.

Services are organized within the District based on the assigned program and the typology of the service. The program is typically assigned based on the contractor (although a contractor may operate services in more than one program), and the typology defines the function of that route and its intended market. There are currently seven programs (Local Fixed Route, Community Shuttles, Supplemental School, Rural Fixed Route, Partnership, Yellow Bus, and the Muir Woods Shuttle) and seven typologies (Local Trunkline, Local Basic, Local Connectors, School Trippers, Rural, Local Initiative, and Recreational). Below is a brief summary of each typology.

Local Trunkline Services

- Description: Services that operate along the highest ridership corridors and often the most densely populated areas of the County. These services provide the backbone for the transit system and connect with Local Basic and Local Connector services at key transfer locations. Along Highway 101, Trunkline service supplements the Golden Gate Transit regional services that continue to San Francisco and Sonoma Counties.
- Operational Focus: Capacity, frequency, and speed.
- Routes: 35, 36, 71x
- Program: Local Bus
- Typical Vehicle: 40' heavy duty or 60' articulated

Local Basic Services

- Description: Services that operate along many of the County's arterial corridors with transit-supportive land use patterns with an emphasis on providing the more extensive coverage of transit services.
- Operational Focus: Balance of capacity, frequency, accessibility, and speed.
- Routes: 17, 22, 23, 23x, 29, 49
- Program: Local Bus
- Typical Vehicle: 35' or 40' heavy duty

Local Connector Services

- Description: Services to lower density areas with less supportive transit land use patterns or areas where larger bus capacity is not warranted. These services rely on good transfer opportunities to the Local Trunkline and Local Basic Services for travel outside the community.
- Operational Focus: Accessibility and connectivity.
- Routes: 219, 228, 233, 245, 251, 257
- Program: Community Shuttles
- Typical Vehicle: 24' cutaways

School Tripper Service

- Description: Services that are provided to address the transportation needs of schools, primarily middle and high schools, within the County. These services provide additional capacity on Marin Transit routes for this purpose and are not designed for transfer opportunities.
- Operational Focus: Accessibility and capacity.
- Routes: 113, 115, 117, 119, 125, 139, 145, 151, 154
- Program: Local Bus
- Typical Vehicle: 35' or 40' heavy duty

Rural

- Description: Services to the rural areas of West Marin that provides community mobility and reduces congestion in the rural areas. Topography is challenging on these routes and requires specific attributes for the fleet used to deliver these services.
- Operational Focus: Accessibility
- Routes: 61, 65, 68
- Program: Rural and Recreational
- Typical Vehicle: 28'-32' cutaways

Recreational

- Description: Services that support recreational or tourist-based travel within the County. Major attractions include the Muir Woods National Monument within the Golden Gate National Recreational Area.
- Operational Focus: Accessibility
- Routes: 66/66F
- Program: Rural and Recreational
- Typical Vehicle: 35' heavy duty

Local Initiative Service

- Description: Services that are provided in partnership to address specific needs within a certain community or certain rider type, including students.
- Operational Focus: Accessibility and capacity
- Routes: 122, Hidden Valley, White Hill
- Program: Partnership/Yellow Bus
- Typical Vehicle: 35' or 40' heavy duty/Yellow school bus

Demand Response

In addition to fixed-route services, the District provides a suite of programs named “Marin Access” to serve the aging and disabled population in Marin County. A total of four programs provide a variety of mobility options to these users and all services are coordinated by a team of Travel Navigators. These four programs include local paratransit, dial-a-ride, volunteer driver, and subsidized taxi (Catch-A-Ride). Travel Navigators provide trip planning and technical assistance to riders to empower the user to select from available travel options to best meet their mobility need.

LOCAL ECONOMY

The District operates within Marin County, one of the nine counties in the San Francisco-Oakland Bay Area. The county includes 11 incorporated cities and towns: Belvedere, Corte Madera, Fairfax, Larkspur, Mill Valley, Novato, Ross, San Anselmo, San Rafael, Sausalito, and Tiburon.

The local economy in 2016 continues to be stable after a period of economic recovery starting in 2011. By June 30, 2016, the County’s unemployment rate was 3.5% (unchanged from 3.5% at June 30, 2015), and continues to be lower than the state of California’s average of 6.2%.

A significant portion of the District’s operating funds are derived from sales tax revenues. Taxable sales increased by 2.6% in Marin County in 2016 compared to 2015. With the steady growth of sales tax revenue in the last five years in Marin County, it is estimated that taxable sales in 2017 will continue to show modest gains.

The steady job market and strong sales tax revenue is a positive sign for continued economic stability in the region. Most economists project continued economic growth over the next two years, although the growth rate is expected to moderate.

LONG TERM PLANNING AND MAJOR INITIATIVES

Short Range Transit Plan

The District’s Short Range Transit Plan (SRTP) is the primary service and financial planning document for the District and includes ten years of financial projections for operations and capital programs. The 2016-2025 SRTP was adopted by the Board of Directors on July 27, 2015.

Operating Plan

Successful contract renegotiations with Golden Gate Bridge Highway & Transportation District (GGBHTD) in 2015 resulted in a new operations contract that was reflected in the FY2015/16

Budget. This contract provides a reduction in the costs of Local Fixed Route service and provides additional revenues for Local Paratransit. A new competitively bid Local Paratransit contract was effective January 1, 2016 and has also resulted in lower purchased transportation costs.

With these cost savings, the District has restored reserves and implemented a 19% service expansion on June 12, 2016 as approved by the Board of Directors on March 28, 2016 and outlined in the District's SRTP. Even with this service expansion, the FY 2016/17 budget anticipates a significant revenue surplus from increasing property tax, lower fuel costs, lower contract service rates, and carryforward of prior year Measure A funds. The District identified unfunded needs in the adopted SRTP that will be the basis for prioritizing expenditures as the financial outlook stabilizes and the current service expansion is completed.

Capital Plan

The District's Capital Improvement and Funding Plan has expanded as the District has taken increasing responsibility for transit service in Marin County. The District's primary capital responsibilities and priorities are to:

- (1) Maintain a sufficient fleet of clean fueled vehicles for local transit service,
- (2) Improve and maintain the amenities and accessibility of Marin County bus stops,
- (3) Improve major bus transfer locations,
- (4) Provide passenger information, and Improvement Program, and
- (5) Provide needed operations equipment and infrastructure.

The District's baseline capital resources limit the Capital Plan to primarily maintaining a state of good repair for existing assets and making the minimal level of investment required to maintain and operate the local bus system. The 10-year Capital Plan includes expenditures of \$69 million of which 78% is for purchasing transit vehicles. Other major capital expenditures included in the funded plan are major vehicle repairs, bus stop improvements, and small capital.

RELEVANT FINANCIAL POLICIES

Budget Process

Marin Transit's budget uses full accrual basis of accounting to record annual revenue and expenses consistent with Generally Accepted Accounting Principles (GAAP) for special districts and the District's annual audited financial reports. All known revenues and expenditures are recorded in the period they are earned or expended.

The Marin Transit Board of Directors adopts an annual budget for the District's fiscal year starting July 1 and ending June 30. Under the direction of the Director of Finance, staff develops a balanced budget for the Board of Directors that provides sufficient and sustainable funding for local transit service needs using the following guidelines:

- (1) Maintain adopted reserve levels;
- (2) Preserve a balance of revenues and expenditures over a ten-year horizon;
- (3) Provide for SRTP-adopted service levels; and
- (4) Allow for innovative growth.

Reserve Policy

Marin Transit's Board-adopted policy designates an Emergency Reserve equivalent to two months of operating expenses and a Contingency Reserve equivalent to an additional two to four months. If the reserve balance exceeds six months of operating expenditures for a prolonged period, the policy advises the Board to consider options such as, but not limited to, expanding transit service or decreasing fares in an effort to provide the optimal level of transit service and benefits to Marin County residents.

With the close of FY 2015/16 the District has a reserve balance equivalent to 7.4 months of operations expenses, which exceeds the policy level of six months. This was anticipated when the Board adopted the FY 2016/17 budget and the Board took actions to increase the operations budget to \$29.3 million to provide the expanded service. The budget also established a Capital Reserve to ensure funding is available to prevent the need for borrowing or bonding for anticipate large capital projects. With the close of FY 2015/16 the Capital Reserve is funded with \$2.88 million.

AWARDS AND ACKNOWLEDGEMENTS

We are pleased that the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state or local government financial reports. This was the first year the District issued a CAFR and received this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The report must satisfy both GAAP and applicable legal requirements.

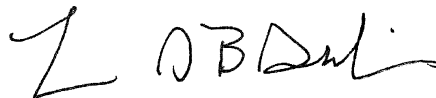
A Certificate of Achievement is valid for a period of only one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report required the dedicated efforts of the District's staff. We also gratefully recognize Richardson & Company, LLP for their timely audit and expertise on the preparation of this CAFR. Finally, we would like to thank the Board of Directors for its commitment and support in the development of a strong financial system.

Respectfully Submitted,



Nancy Whelan
General Manager



Lauren Gradia
Director of Finance and Capital Programs

MARIN COUNTY TRANSIT DISTRICT INTRODUCTORY SECTION

PRINCIPAL OFFICIALS

Damon Connolly District 1

Katie Rice District 2

Kathrin Sears District 3

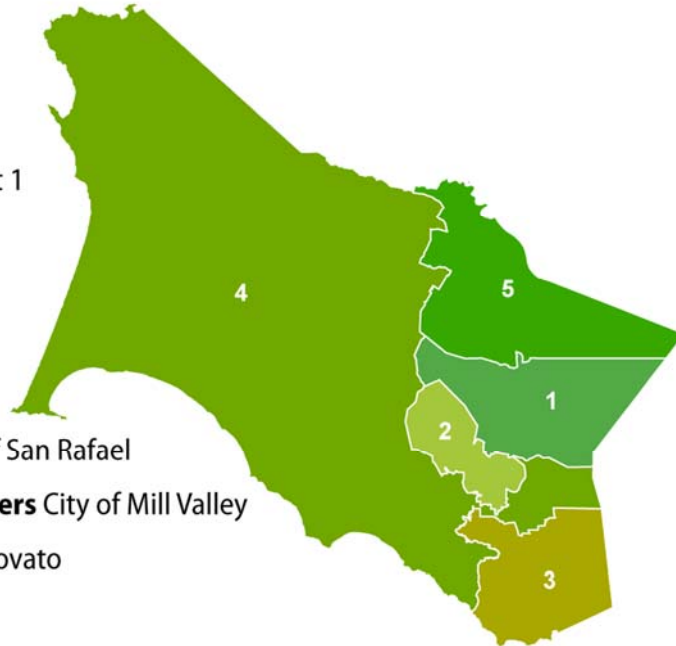
Steve Kinsey District 4

Judy Arnold District 5

Maribeth Bushey City of San Rafael

Stephanie Moulton-Peters City of Mill Valley

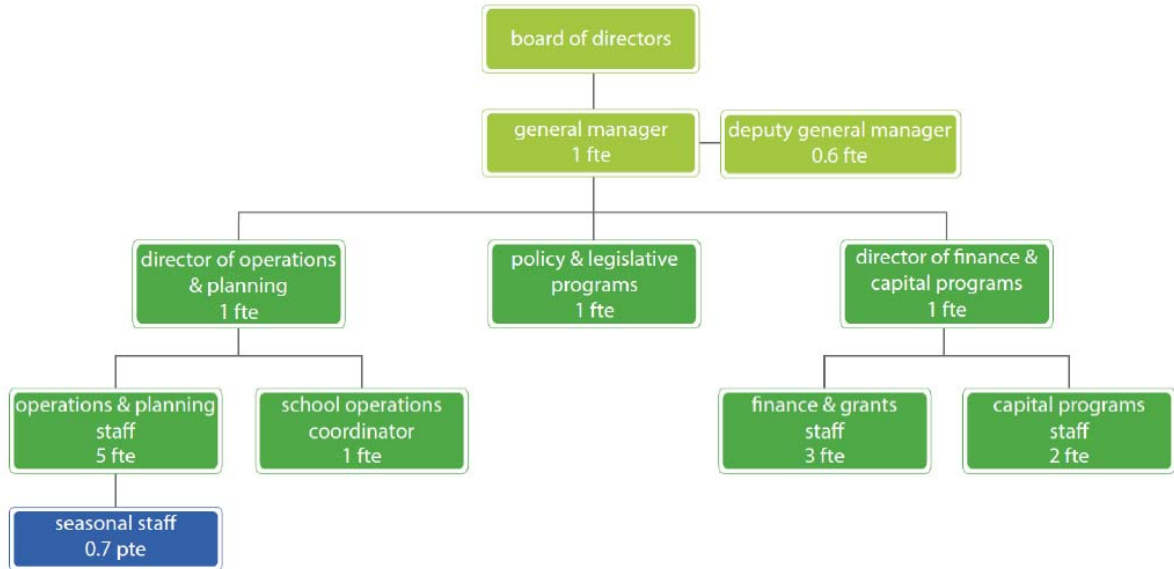
Eric Lucan (alt) City of Novato



Board Member	District or City	Current Term Ends
Damon Connolly	District 1	December 2018
Katie Rice	District 2	December 2016
Kathrin Sears	District 3	December 2016
Steve Kinsey	District 4	December 2016
Judy Arnold	District 5	December 2018
Stephanie Moulton-Peters	City of Mill Valley	December 2018
Maribeth Bushey	City of San Rafael	December 2017
Eric Lucan (City Alternate)	City of Novato	December 2017

MARIN COUNTY TRANSIT DISTRICT INTRODUCTORY SECTION

ORGANIZATIONAL CHART



Note:

- Total authorized FTE 16.3
- Vacancies at 6/30/16 equal 3 FTE

MARIN COUNTY TRANSIT DISTRICT INTRODUCTORY SECTION

SERVICE AREA MAP





Government Finance Officers Association

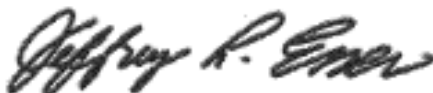
**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Marin Transit
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015



Executive Director/CEO

FINANCIAL SECTION



550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

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, a component unit of the County of Marin, California (the District), as of and for the years ending June 30, 2016 and 2015, 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, 2016 and 2015, 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 introductory section, supplementary information and statistical section 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 presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Budgetary Comparison Schedules are the responsibility of management and were derived from and relate 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 Budgetary Comparison Schedules are fairly stated in all material respects, in relation to the basic financial statements as a whole.

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

To the Board of Directors
Marin County Transit District

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 introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016 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 Transportation Development Act and other state program guidelines. 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 14, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Marin County Transit District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ended June 30, 2016 and June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i to vii of this report.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at June 30, 2016 and 2015 by \$34,895,000 and \$20,512,000 (net position), respectively. Of this amount, \$19,166,000 and \$8,665,000, respectively, is net investment in capital assets, and \$15,422,000 and \$11,847,000, respectively, is unrestricted. At June 30, 2016, \$307,000 was restricted under grant agreements.
- The District's total net position increased for the year ended June 30, 2016 by \$14,383,000 compared to the year ended June 30, 2015. The District's total net position increased for the year ended June 30, 2015 by \$4,075,000 compared to the year ended June 30, 2014. These increases are the result of a large number of bus purchases, ongoing capital improvement projects, along with increased intergovernmental operating revenue including Federal, State and local Measure A sales tax revenue.
- The District claimed \$11,602,421 in fiscal year 2016 from the Transportation Authority of Marin as part of the voter approved Measure A sales tax, plus \$85,000 in pass-through Measure A interest, and recognition of \$6,555 in prior year revenue, for a total of \$11,693,976 recognized in fiscal year 2016. The District claimed \$11,154,050 in Measure A funds in fiscal year 2015, plus recognition of \$6,555 in prior year revenue, for a total of \$11,160,605 recognized in fiscal year 2015.
- The District's emergency reserve is fully-funded, and the contingency reserve is within the target of two to four months operating funds. The District also established a capital reserve this fiscal year, which is funded with the amounts in reserve in excess of six months operating expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of two components: (1) government-wide financial statements and (2) notes to the financial statements. This report also contains supplementary information intended to furnish additional detail to support to the basic financial statements.

Government-wide Financial Statements

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. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

The basic financial statements can be found on pages 10 - 29 of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide statements. The notes to the financial statements can be found on pages 14 - 29 of this report.

OVERALL FINANCIAL ANALYSIS

The financial statements provide both short-term and long-term information about the District's overall financial condition. This analysis addresses the financial statements of the District as a whole.

Net Position

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. In the case of the District, assets exceeded liabilities by \$34,895,000 and \$20,512,000 at June 30, 2016 and 2015, respectively.

	2016	2015	2016 - 2015 Increase (Decrease)	2014	2015 - 2014 Increase (Decrease)
Cash	\$ 12,041,572	\$ 7,463,165	\$ 4,578,407	\$ 6,577,637	\$ 885,528
Receivables	6,227,682	6,690,672	(462,990)	3,660,047	3,030,625
Prepaid expenses	20,696	42,336	(21,640)	48,126	(5,790)
receivables	307,037		307,037		
Capital assets	19,166,232	8,665,148	10,501,084	7,201,252	1,463,896
Total assets	<u>37,763,219</u>	<u>22,861,321</u>	<u>14,901,898</u>	<u>17,487,062</u>	<u>5,374,259</u>
Current liabilities	2,853,909	2,337,367	516,542	1,049,235	1,288,132
Noncurrent liabilities	14,199	11,580	2,619	-	11,580
Total liabilities	<u>2,868,108</u>	<u>2,348,947</u>	<u>519,161</u>	<u>1,049,235</u>	<u>1,299,712</u>
assets	19,166,232	8,665,148	10,501,084	7,201,252	1,463,896
Restricted net position	307,037	-	307,037	-	-
Unrestricted net position	15,421,842	11,847,226	3,574,616	9,236,575	2,610,651
Total net position	<u>\$ 34,895,111</u>	<u>\$ 20,512,374</u>	<u>\$ 14,382,737</u>	<u>\$ 16,437,827</u>	<u>\$ 4,074,547</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

A substantial portion of the District's total net position reflects investment in capital assets. These capital assets are used to provide bus services to Marin County residents. Consequently, these assets are not available for future spending. An additional portion of the District's net position represents resources that are subject to external restrictions imposed by grantors, contributors, or laws or regulations of other governments or constraints imposed by laws through constitutional provisions or enabling legislation, that restrict the use of net position. The remainder of the District's net position is unrestricted, and represents the District's reserve account. This reserve continues to meet the requirements of the Board adopted reserve policy.

At the end of fiscal year 2016, the District is able to report positive balances in all reported categories of net position. The same situation held true for the prior fiscal year.

Revenues

Changes in the District's revenues were as follows:

	<u>2016</u>	<u>2015</u>	<u>2016 - 2015 Increase (Decrease)</u>	<u>2014</u>	<u>2015 - 2014 Increase (Decrease)</u>
Operating revenues:					
Transit fares	\$ 3,586,587	\$ 3,669,514	\$ (82,927)	\$ 3,731,205	\$ (61,691)
Contractual compensation	2,028,796	1,950,099	78,697	1,906,714	43,385
Special Fares	380,798	-	380,798	20,000	(20,000)
Total operating revenues	<u>5,996,181</u>	<u>5,619,613</u>	<u>376,568</u>	<u>5,657,919</u>	<u>(38,306)</u>
Nonoperating revenues:					
Intergovernmental	19,069,595	19,097,503	(27,908)	18,559,479	538,024
Property taxes	3,848,219	3,611,357	236,862	3,447,835	163,522
Advertising	386,914	283,443	103,471	344,516	(61,073)
Interest income	14,044	9,816	4,228	5,399	4,417
Other revenues	-	2,134	(2,134)	-	2,134
Gain on disposal of capital assets	88,571	-	88,571	30,171	(30,171)
Total nonoperating revenues	<u>23,407,343</u>	<u>23,004,253</u>	<u>403,090</u>	<u>22,387,400</u>	<u>616,853</u>
Capital contributions (grants):					
Intergovernmental	12,250,751	2,374,093	9,876,658	1,962,595	411,498
Other revenue	7,711	-	7,711	-	-
Total capital contributions (grant)	<u>12,258,462</u>	<u>2,374,093</u>	<u>9,884,369</u>	<u>1,962,595</u>	<u>411,498</u>
Total revenues	<u>\$ 41,661,986</u>	<u>\$ 30,997,959</u>	<u>\$ 10,664,027</u>	<u>\$ 30,007,914</u>	<u>\$ 990,045</u>

Operating revenues increased to \$6.0 million in the fiscal year ended June 30, 2016 as compared to \$5.6 million in the fiscal years ended June 30, 2015 and June 30, 2014. This increase is primarily attributable to special fares collected to support partnership transit programs.

The District has seen growth in nonoperating revenues for the fiscal years ended June 30, 2016 and June 30, 2015. The increase in the fiscal year ended June 30, 2016 is primarily due to increased property taxes, advertising and lease revenue. The increase in the fiscal year ended

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015 is primarily due to increased intergovernmental revenue, including federal operating funds, Measure A funds, and Transportation Development Act funds.

The majority of construction and vehicle acquisitions are funded with capital contributions from other governmental units such as federal, state, and local agencies. Therefore, capital contribution revenue is tied to the District's capital purchases, which naturally fluctuate over time. In addition, the District procured and received a large number of vehicles this year, resulting in a significant increase in capital contributions for the fiscal year ended June 30, 2016.

Expenses

Changes in the District's expenses were as follows:

	<u>2016</u>	<u>2015</u>	<u>2016 - 2015 Increase (Decrease)</u>	<u>2014</u>	<u>2015 - 2014 Increase (Decrease)</u>
Operating expenses					
Purchased transportation servi	\$ 20,461,632	\$ 21,888,029	\$ (1,426,397)	\$ 21,720,736	\$ 167,293
Depreciation	1,753,960	917,002	836,958	937,139	(20,137)
Direct Labor	1,631,669	1,327,913	303,756	964,311	363,602
Fuel	1,619,444	1,291,857	327,587	1,355,476	(63,619)
Professional services	1,003,065	554,304	448,761	486,242	68,062
General & administrative	179,181	129,360	49,821	165,775	(36,415)
Marketing	127,154	114,660	12,494	136,455	(21,795)
Capital costs	109,393	330,949	(221,556)	383,848	(52,899)
Utilities	106,949	91,016	15,933	73,940	17,076
Leases and rentals	94,469	92,236	2,233	100,975	(8,739)
Other services	61,792	66,654	(4,862)	66,750	(96)
Casualty and liability costs	29,580	29,444	136	25,738	3,706
Maintenance costs	15,961	89,988	(74,027)	53,439	36,549
Contract Labor	-	-	-	469,169	(469,169)
Total operating expenses	<u>\$ 27,194,249</u>	<u>\$ 26,923,412</u>	<u>\$ 270,837</u>	<u>\$ 26,939,993</u>	<u>\$ (16,581)</u>
Nonoperating expenses					
Pass through of Measure A to	85,000	-	85,000	85,000	(85,000)
Total nonoperating expenses	<u>85,000</u>	<u>-</u>	<u>85,000</u>	<u>85,000</u>	<u>(85,000)</u>
Total expenses	<u>\$ 27,279,249</u>	<u>\$ 26,923,412</u>	<u>\$ 355,837</u>	<u>\$ 27,024,993</u>	<u>\$ (101,581)</u>

Operating expenses were stable during the fiscal year ended June 30, 2016 and June 30, 2015, with a 1% increase and 0.5% decrease over the prior years, respectively.

In the fiscal year ended June 30, 2016, newly negotiated purchased transportation contracts included the shift of fuel and professional services from the purchased transportation category to their natural categories. Depreciation expenses increased significantly and is tied to the larger number of capital assets owned by the District.

In the fiscal year ended June 30, 2015, the primary cause for the decrease in expenses over the prior year was due to the decrease in overall labor costs (direct labor and contract labor), attributable to the shift to a direct employment model being finalized.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Summary of Capital Assets (net of depreciation):

	Balance at June 30, 2016	Balance at June 30, 2015	Balance at June 30, 2014
Nondepreciable:			
Work in progress	\$ 1,746,405	\$ 2,176,497	\$ 1,024,112
Capital assets, being depreciated:			
Revenue vehicles	14,256,941	4,399,104	4,149,606
Facilities & stops	2,725,709	1,463,946	1,463,729
Communication and data equipment	286,197	427,533	491,287
Fare revenue collection equipment	137,372	181,258	52,506
Furniture and fixtures	13,608	16,810	20,012
Capital assets, net	\$19,166,232	\$ 8,665,148	\$ 7,201,252

The District's investment in capital assets amounts to \$19,166,231 and \$8,665,148 as of June 30, 2016 and June 30, 2015, respectively (net of accumulated depreciation). This investment in capital assets includes vehicles, facilities and stops, communication and data equipment, fare revenue collection equipment, and furniture and fixtures. The total increase in capital assets for fiscal year 2016 and 2015 was approximately 121% and 20%, respectively.

The most significant addition to the District's capital costs over the past two years has been the purchase of vehicles. In the fiscal year ended June 30, 2016, the District completed the purchase of thirty-three revenue vehicles, for a total cost of over \$10 million. In addition, the District exercised an option to assume ownership of seventeen vehicles from the Golden Gate Bridge Highway & Transportation District. In the fiscal year ended June 30, 2015, the District purchased paratransit vehicle replacements. Additional information about the District's capital assets can be found in Note C at page 20.

Debt Administration

Pursuant to the enabling legislation (Marin County Transit District Act of 1964, § 70225), the District has the authority to issue debt. Currently, the District has no outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Steady economic recovery combined with significant new service contracts have improved Marin Transit's financial outlook, and allowed Marin Transit to expand fixed route transit service hours by 19% in June 2016. Ridership declines on ADA paratransit and low fuel prices provided the District with additional savings compared to the adopted budget. Marin Transit's capital expenditures were significantly higher than prior years, and included the replacement of a large number of revenue vehicles. The District has a fully funded reserve, and has increased transit



MANAGEMENT'S DISCUSSION AND ANALYSIS

service to ensure the District continues to provide the highest levels of local bus service possible while ensuring financial stability.

The District is now monitoring the service changes implemented in June 2016. As outlined in the District's Short Range Transit Plan (SRTTP), the District will continue to evaluate all services provided with an emphasis on continuing to improve the efficiency and convenience of the transit system for riders. The 2016-2025 SRTTP 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 SRTTP 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. The SRTTP is updated every two to four years.

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 Whelan
General Manager

MARIN COUNTY TRANSIT DISTRICT

BALANCE SHEETS

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,041,572	\$ 7,463,165
Accounts receivable:		
State grants	2,514,982	427,695
Transportation Authority of Marin	2,151,955	3,097,400
Federal grants	740,236	1,434,095
Golden Gate Bridge Highway and Transit District	648,891	1,510,779
Other receivables	171,618	92,139
Whistlestop		128,564
Prepaid expenses	20,696	42,336
TOTAL CURRENT ASSETS	<u>18,289,950</u>	<u>14,196,173</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents	286,432	
Restricted accounts receivable	20,605	
Capital assets:		
Not depreciated	1,746,405	2,176,497
Depreciated, net	17,419,827	6,488,651
Total capital assets	<u>19,166,232</u>	<u>8,665,148</u>
TOTAL NONCURRENT ASSETS	<u>19,473,269</u>	<u>8,665,148</u>
TOTAL ASSETS	<u>\$ 37,763,219</u>	<u>\$ 22,861,321</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 1,066,597	\$ 1,604,195
Accrued payroll and benefits	66,024	59,692
Due to other governments	1,453,043	489,594
Unearned revenue	207,596	148,429
Compensated absences - current portion	60,649	35,457
TOTAL CURRENT LIABILITIES	<u>2,853,909</u>	<u>2,337,367</u>
NONCURRENT LIABILITIES		
Compensated absences - noncurrent portion	14,199	11,580
TOTAL NONCURRENT LIABILITIES	<u>14,199</u>	<u>11,580</u>
TOTAL LIABILITIES	2,868,108	2,348,947
NET POSITION		
Net investment in capital assets	19,166,232	8,665,148
Restricted for LCTOP approved operating costs	275,413	
Restricted for bus acquisitions	31,624	
Unrestricted	15,421,842	11,847,226
TOTAL NET POSITION	<u>34,895,111</u>	<u>20,512,374</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 37,763,219</u>	<u>\$ 22,861,321</u>

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, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Transit fares	\$ 3,586,587	\$ 3,669,514
Contractual compensation	2,028,796	1,950,099
Special fares	380,798	
TOTAL OPERATING REVENUES	5,996,181	5,619,613
OPERATING EXPENSES		
Purchased transportation services	20,461,632	21,888,029
Depreciation	1,753,960	917,002
Direct Labor	1,631,669	1,327,913
Fuel	1,619,444	1,291,857
Professional services	1,003,065	554,304
General and administrative	179,181	129,360
Marketing	127,154	114,660
Capital costs	109,393	330,949
Utilities	106,949	91,016
Leases and rentals	94,469	92,236
Other services	61,792	66,654
Casualty and liability costs	29,580	29,444
Maintenance costs	15,961	89,988
TOTAL OPERATING EXPENSES	27,194,249	26,923,412
OPERATING LOSS	(21,198,068)	(21,303,799)
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental revenue	19,069,595	19,097,503
Property tax revenue	3,848,219	3,611,357
Advertising	386,914	283,443
Interest income	14,044	9,816
Gain on disposal of capital assets	88,571	
Miscellaneous revenue		2,134
Pass through of Measure A to Golden Gate Transit	(85,000)	
TOTAL NONOPERATING REVENUES (EXPENSES)	23,322,343	23,004,253
INCOME BEFORE CAPITAL CONTRIBUTIONS	2,124,275	1,700,454
CAPITAL CONTRIBUTIONS		
Intergovernmental revenue	12,250,751	2,374,093
Other revenue	7,711	
TOTAL CAPITAL CONTRIBUTIONS	12,258,462	2,374,093
CHANGE IN NET POSITION	14,382,737	4,074,547
Net position at beginning of year	20,512,374	16,437,827
NET POSITION AT END OF YEAR	\$ 34,895,111	\$ 20,512,374

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 4,291,481	\$ 3,639,649
Cash receipts from contracts	2,028,796	1,950,099
Cash paid for purchased transportation services	(19,101,179)	(20,873,947)
Cash paid to suppliers for goods and services	(4,114,982)	(2,735,362)
Cash paid to employees for services	(1,597,526)	(1,338,794)
NET CASH USED FOR OPERATING ACTIVITIES	<u>(18,493,410)</u>	<u>(19,358,355)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes received	3,848,219	3,611,357
Intergovernmental revenues received	20,091,274	17,924,194
NET CASH PROVIDED BY NONCAPITAL FINANCIAL ACTIVITIES	<u>23,939,493</u>	<u>21,535,551</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	66,189	
Acquisition of capital assets	(10,660,280)	(2,235,930)
Capital contribution revenues received	9,998,803	934,446
NET CASH (USED) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(595,288)</u>	<u>(1,301,484)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	14,044	9,816
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>14,044</u>	<u>9,816</u>
INCREASE IN CASH AND CASH EQUIVALENTS	4,864,839	885,528
Cash and cash equivalents at beginning of year	<u>7,463,165</u>	<u>6,577,637</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 12,328,004</u>	<u>\$ 7,463,165</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEETS		
Cash and cash equivalents	\$ 12,041,572	\$ 7,463,165
Restricted cash and cash equivalents	286,432	
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 12,328,004</u>	<u>\$ 7,463,165</u>

(Continued)

MARIN COUNTY TRANSIT DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)

For the Years Ended June 30, 2016 and 2015

	2016	2015
RECONCILIATION OF NET LOSS FROM OPERATIONS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Net loss from operations	\$ (21,198,068)	\$ (21,303,799)
Adjustments to reconcile net loss from operations to net cash used for operating activities:		
Depreciation	1,753,960	917,002
(Increase) decrease in accounts receivable	147,903	(154,805)
(Increase) decrease in prepaid expenses	21,640	5,790
Increase (decrease) in accounts payable	(392,630)	672,618
Increase (decrease) in accrued payroll and benefits	6,332	(33,536)
Increase (decrease) in due to other governments	963,449	390,780
Increase (decrease) in unearned revenues	176,193	124,940
Increase (decrease) in compensated absences	27,811	22,655
	\$ (18,493,410)	\$ (19,358,355)
NET CASH USED FOR OPERATING ACTIVITIES		
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Donated capital assets	\$ 1,743,150	

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

MARIN COUNTY TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Marin County Transit District (the District) is a 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 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 of 2015, the District and Golden Gate entered into an agreement for transit services for the period July 1, 2015 through June 30, 2020 that contains options to extend the contract for two additional one year periods. The contract specifies a rate per revenue hour and range of minimum and maximum revenue hours to be incurred each fiscal year for the term of the agreement and the two option years. The contract provides for a 2.7% increase in the rate per revenue hour annually. Fuel, capital costs, customer service as well as San Rafael Transit Center security, maintenance, and utilities are separately compensated under the agreement in addition to the rate per revenue hour. 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 yearly agreements in place for the year ended June 30, 2016, Golden Gate operated seven local fixed routes. During the year ended June 30, 2015, Golden Gate operated nine local fixed routes and three supplemental school routes. The total cost of local bus transit service under these agreements during the years ending June 30, 2016 and 2015 was \$10,994,562 and \$11,871,073, respectively. Related fare, revenue, advertising revenue, TDA revenue, STA revenue and other revenue earned for the fiscal year ending June 30, 2016 and 2015 was \$7,346,861 and \$9,076,584, respectively. Golden Gate was compensated for operating costs based on revenue hours incurred multiplied by a rate per hour specified in the contract as well as the District's share of capital costs of Golden Gate buses used. The agreement allowed the District the option of assuming ownership of revenue vehicles purchased with the District's capital contribution to Golden Gate. Ownership of all seventeen buses for which this provision applied was assumed during the year ended June 30, 2016. The remaining capital costs paid by the District to Golden Gate are related to the use of Golden Gate assets, including vehicles, facilities and other assets, for which ownership may not be assumed by the District.

Under the local paratransit agreement, the District contracts for local and inter-county (regional) paratransit service on behalf of Golden Gate. With the implementation of the Americans with Disabilities Act (ADA), Golden Gate was required to provide complementary local and 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

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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. The contract was competitively bid most recently on January 1, 2016. Paratransit services consist of demand responsive services for the disabled, which meets the requirements of the Americans with Disabilities Act and other federal provisions. Under the contract, MSCC provides the paratransit services and collects all the fare revenues. MSCC bills the District monthly for the net cost of 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 and a portion of the local paratransit services.

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 ten school routes and four local fixed 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 and one local fixed route. Marin Airporter has operated this service since 2006, and won a competitive bid process for a new contract for the period July 1, 2013 through June 30, 2016 with up to two extensions through June 30, 2018. 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

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

body for establishing governmental accounting and financial reporting principles. The District applies all applicable GASB pronouncements in its accounting and financial reporting. The more significant of the District's accounting policies are described below.

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 of resources, 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 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 investment 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

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Restricted Assets: Restricted assets consist of the unexpended cash received under the Low Carbon Transit Operations Program (LCTOP) grant of \$275,413 that is restricted for LCTOP approved operating costs as well as \$11,019 of cash proceeds and \$20,605 of proceeds receivable from the sale of FTA funded buses, for a total of \$31,624 of sales proceeds, which are required to be spent on future bus acquisitions.

Prepaid Expenses: Prepaid expenses are costs paid as of the balance sheet that are related to future accounting periods. Prepaid expenses at June 30, 2016 and 2015 consisted mainly of prepaid software maintenance.

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:

Revenue vehicles	3-12 years
Facilities and stops	5-30 years
Communication and data equipment	3-5 years
Fare revenue collection equipment	5 years
Furniture and fixtures	8 years
Non-revenue vehicles	2 years

Maintenance and repairs are expensed as operating expenses when incurred. Betterments that increase the useful lives or capacity of existing capital assets are capitalized when incurred. Costs of assets sold or retired (and the related amounts of accumulated depreciation) are eliminated from the capital asset accounts in the year of sale or retirement and the resulting gain or loss is included in nonoperating revenues (expenses).

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

Unearned Revenue: Unearned revenue at June 30, 2016 and 2015 consisted mainly of bus passes sold in advance of services and, in 2015, Measure A funds received from the Transportation Authority of Marin for pre-paid software maintenance expenses.

Compensated Absences: At June 30, 2016 and 2015, 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.

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE A – 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 December 10 and April 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 other receivables line on the balance sheet refers mainly 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. The tax went into effect on April 1, 2005 and lasts for a period of 20 years. 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 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 TAM board adopted the Measure B Expenditure Plan on July 28, 2011 and is effective for 10 years. 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 as follows:

Net investment in capital assets - The net investment in capital assets groups all capital assets into one category of net position, which is reduced by accumulated depreciation.

Restricted net position - Restrictions of net position represent amounts that are legally restricted for specific uses. The amount reported as restricted for capital additions represents a gain on sale of FTA funded buses that must be used for future bus acquisitions. The amount reported as restricted for operations represents unspent Low-Carbon Transit Operations Program (LCTOP) revenue that must be held for future operating costs on routes approved by the grantor.

Unrestricted net position - Unrestricted net position represents amounts not restricted for any other project or purpose.

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District's Board of Directors approved a reserve policy for unrestricted net position allowing for a minimum of two months and maximum of six 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. During the year ended June 30, 2016, a capital reserve was approved by the Board of Directors. Reserves were as follows at June 30:

	June 30, 2016	June 30, 2015
Emergency reserve	\$ 4,188,952	\$ 4,572,081
Contingency reserve	8,377,903	7,275,145
Capital reserve	2,854,987	
	\$ 15,421,842	\$ 11,847,226

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 consisted of the following at June 30:

	June 30, 2016	June 30, 2015
Cash on hand	\$ 25	\$ 25
Bank deposits	3,149,055	1,057,142
County of Marin investment pool	9,178,924	6,405,998
	\$ 12,328,004	\$ 7,463,165

The District has only invested in the County of Marin investment pool and bank deposits in practice.

Investment in the County of Marin Investment Pool: 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.

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

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, 2016 and 2015, the weighted average maturity of the investments contained in the County's investment pool was approximately 204 and 176 days, respectively.

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, 2016 and 2015, the carrying amount of the District's deposits was \$3,149,055 and \$1,057,142 and the balance in the financial institutions was \$3,152,529 and \$1,068,067, respectively. Of the balances in financial institutions, \$250,000 at June 30, 2016 and 2015 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, 2015	Additions	Deletions	Transfers	Balance at June 30, 2016
Nondepreciable:					
Work in progress	\$ 2,176,497	\$ 1,273,653		\$ (1,703,745)	\$ 1,746,405
Capital assets, being depreciated:					
Revenue vehicles	7,597,033	10,945,746	\$ (1,460,016)	383,247	17,466,010
Facilities and stops	1,553,706	39,063		1,320,498	2,913,267
Communication and data equipment	1,251,626				1,251,626
Fare revenue collection equipment	412,356				412,356
Furniture and fixtures	88,351				88,351
Non-revenue vehicles	6,300				6,300
Total capital assets being depreciate	<u>10,909,372</u>	<u>10,984,809</u>	<u>(1,460,016)</u>	<u>1,703,745</u>	<u>22,137,910</u>
Less accumulated depreciation:					
Revenue vehicles	(3,197,929)	(1,467,738)	1,456,598		(3,209,069)
Facilities and stops	(89,760)	(97,798)			(187,558)
Communication and data equipment	(824,093)	(141,336)			(965,429)
Fare revenue collection equipment	(231,098)	(43,886)			(274,984)
Furniture	(71,541)	(3,202)			(74,743)
Non-revenue vehicles	(6,300)				(6,300)
Total accumulated depreciation	<u>(4,420,721)</u>	<u>(1,753,960)</u>	<u>1,456,598</u>		<u>(4,718,083)</u>
Total capital assets being being depreciated, net	<u>6,488,651</u>	<u>9,230,849</u>	<u>(3,418)</u>	<u>1,703,745</u>	<u>17,419,827</u>
Capital assets, net	<u>\$ 8,665,148</u>	<u>\$ 10,504,502</u>	<u>\$ (3,418)</u>	<u>\$ -</u>	<u>\$ 19,166,232</u>

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE C – CAPITAL ASSETS (Continued)

	Balance at July 1, 2014	Additions	Deletions	Transfers	Balance at June 30, 2015
Nondepreciable:					
Work in Progress	\$ 1,024,112	\$ 1,483,954		\$ (331,569)	\$ 2,176,497
Capital assets, being depreciated:					
Revenue vehicles	6,758,552	838,481			7,597,033
Facilities and stops	1,495,243	58,463			1,553,706
Communication and data equipment	1,065,948			185,678	1,251,626
Fare revenue collection equipment	266,465			145,891	412,356
Furniture and fixtures	88,351				88,351
Non-revenue vehicles	6,300				6,300
Total capital assets being depreciate	<u>9,680,859</u>	<u>896,944</u>		<u>331,569</u>	<u>10,909,372</u>
Less accumulated depreciation:					
Revenue vehicles	(2,608,946)	(588,983)			(3,197,929)
Facilities and stops	(31,514)	(58,246)			(89,760)
Communication and data equipment	(574,661)	(249,432)			(824,093)
Fare revenue collection equipment	(213,959)	(17,139)			(231,098)
Furniture	(68,339)	(3,202)			(71,541)
Non-revenue vehicles	(6,300)				(6,300)
Total accumulated depreciation	<u>(3,503,719)</u>	<u>(917,002)</u>			<u>(4,420,721)</u>
Total capital assets being depreciated, net	<u>6,177,140</u>	<u>(20,058)</u>		<u>331,569</u>	<u>6,488,651</u>
Capital assets, net	<u>\$ 7,201,252</u>	<u>\$ 1,463,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,665,148</u>

NOTE D – COMPENSATED ABSENCES

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

	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016	One Year
Compensated absences	<u>\$ 47,037</u>	<u>\$ 69,067</u>	<u>\$ (41,256)</u>	<u>\$ 74,848</u>	<u>\$ 60,649</u>
	Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015	One Year
Compensated absences	<u>\$ 24,382</u>	<u>\$ 63,065</u>	<u>\$ (40,410)</u>	<u>\$ 47,037</u>	<u>\$ 35,457</u>

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE E – INTERGOVERNMENTAL REVENUE

The following is the detail of intergovernmental revenues for the year ended June 30:

	2016		
	Non-operating	Capital	Total
Federal revenue:			
Federal Transit Administration			
Section 5304 (Planning Grants)	\$ 17,875		\$ 17,875
Section 5307 (ADA Set-Aside)	461,944		461,944
Section 5307 (Vehicle Purchase)		\$ 7,486,526	7,486,526
Section 5309 (State of Good Repair)		30,050	30,050
Section 5310 (Mobility Management)	137,113		137,113
Section 5311 grant (Stagecoach operating)	200,063		200,063
Section 5311 grant (RTAP Scholarships)	1,303		1,303
Section 5316 JARC (Mobility Tech)	1,400		1,400
Section 5317 (New Freedom Cycle 4 Funding)	81,735		81,735
Section 5339 (Vehicle Purchase)		138,800	138,800
United States Department of the Interior - National Parks Service	150,865		150,865
Total federal revenue	<u>1,052,298</u>	<u>7,655,376</u>	<u>8,707,674</u>
State revenue:			
Transportation Development Act	4,562,778		4,562,778
State Transit Assistance			
Operating	1,253,362		1,253,362
Paratransit	62,772		62,772
Home Owner Property Tax Relief	19,138		19,138
Public Transportation Modernization, Improvement and Service Enhancement Account		2,186,858	2,186,858
Low Carbon Transit Operations Program	275,413	45,699	321,112
Caltrans	283		283
Total state revenue	<u>6,173,746</u>	<u>2,232,557</u>	<u>8,406,303</u>
Local revenue:			
Measure A			
Strategy 1.1 (Local)	7,558,832		7,575,766
Strategy 1.2 (Rural)	888,950		888,950
Strategy 1.3 (Special)	2,203,546		2,203,546
Strategy 1.4 (Capital)	346,792	610,856	940,714
Interest	85,000		85,000
Measure B	730,335		730,335
Buses donated by Golden Gate		1,743,150	1,743,150
Miscellaneous	30,096	8,812	38,908
Total local revenue	<u>11,843,551</u>	<u>2,362,818</u>	<u>14,206,369</u>
Total intergovernmental revenue	<u>\$ 19,069,595</u>	<u>\$ 12,250,751</u>	<u>\$ 31,320,346</u>

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE E – INTERGOVERNMENTAL REVENUE (Continued)

	2015		
	Non-operating	Capital	Total
Federal revenue:			
Federal Transit Administration:			
Section 5303 (Short Range Transit Plan)	\$ 20,000		\$ 20,000
Section 5304 (Planning Grants)	81,849		81,849
Section 5307 (Americans with Disabilities Act Set-Asic	677,859		677,859
Section 5307 (Vehicle Purchase)		\$ 970,519	970,519
Section 5307 (Statewide Transportation Improvement Program)	216,017		216,017
Section 5309 (State of Good Repair)		607,642	607,642
Section 5311 (Stagecoach operating)	210,793		210,793
Section 5311 (Rural Transportation Assistance Program scholarships)	1,404		1,404
Section 5316 (Technology)		2,200	2,200
Section 5317 (New Freedom Cycle 4 Funding)	109,206		109,206
Section 5320 (Paul Sarbanes)		13,500	13,500
United States Department of the Interior - National Parks Service	168,665		168,665
Total federal revenue	1,485,793	1,593,861	3,079,654
State revenue:			
Transportation Development Act	4,542,050		4,542,050
State Transit Assistance			
Operating	1,217,391		1,217,391
Lifeline	13,181		13,181
Paratransit	80,340		80,340
Home Owner Property Tax Relief	19,326		19,326
Caltrans	208		208
State Transportation Improvement Program		58,464	58,464
Public Transportation Modernization, Improvement and Service Enhancement Account		385,569	385,569
Total state revenue	5,872,496	444,033	6,316,529
Local revenue:			
Measure A			
Strategy 1.1 (Local)	7,109,172		7,109,172
Strategy 1.2 (Rural)	886,505		886,505
Strategy 1.3 (Special)	2,303,869		2,303,869
Strategy 1.4 (Capital)	560,767	300,292	861,059
Measure B	863,617		863,617
Miscellaneous	15,284	35,907	51,191
Total local revenue	11,739,214	336,199	12,075,413
Total intergovernmental revenue	\$ 19,097,503	\$ 2,374,093	\$ 21,471,596

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

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, with one three-year option to renew at market rates. In June 2015, the District exercised its option to renew the lease for three additional years to October 31, 2018. As of June 30, 2016, future minimum lease payments under the operating lease were as follows:

Fiscal Year Ending June 30:	
2017	\$ 96,668
2018	98,832
2019	<u>33,184</u>
Total minimum lease commitments	<u>\$228,684</u>

Lease expense for the years ended June 30, 2016 and 2015 totaled \$94,469 and \$92,236, respectively.

NOTE G – RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS

The District contributes to the Marin County Transit District Governmental 401(a) single employer defined contribution pension plan (the Plan), for its employees who have attained twenty-one years of age and have more than 1,000 hours of service. The Plan is administered by the Marin County Transit District.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the District's Board of Directors. For each employee in the pension plan at the end of the plan year, the District is required to contribute 10% to 15% of annual salary, exclusive of overtime, to an individual employee account. Employees are not permitted to make contributions to the Plan. For the years ended June 30, 2016 and 2015, the District recognized pension expense of \$175,923 and \$139,279, respectively.

Employees are fully vested in employer contributions after six months of service. Non-vested District contributions are forfeited upon termination. Such 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, 2016 and 2015.

The District provides a Section 457 deferred compensation plan (Section 457 Plan) to its employees. Employees are allowed to contribute to the Section 457 plan, but the District does not contribute to the Section 457 plan. The District does not currently provide other postemployment benefits (OPEB) to 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

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE G – RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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.

NOTE H – COMMITMENTS AND CONTINGENCIES

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

Contractor	Purpose	2016	2015
Golden Gate Bridge Highway and Transportation District	Local fixed route service	\$ 30,975,606	\$ 40,398,722
Whistlestop	Paratransit service	19,523,387	1,444,780
Marin Airporter	Shuttle	8,871,600	2,828,800
MV Transportation, Inc.	Rural and seasonal transit service	5,946,568	857,778
Creative Bus Sales	Paratransit and stage replacements	712,313	1,667,486
Michael's Transportation Services	Yellow bus service	607,435	616,000
Whistlestop	Traditional volunteer driver program	492,806	142,408
MV Transportation, Inc.	Catch a ride	415,250	288,972
Mark Thomas	Redesign downtown Novato	374,427	
Syncromatics	Hardware extension of all fixed route vehicles	147,914	
Gillig	Hybrid buses		7,533,737
		<u>\$ 68,067,306</u>	<u>\$ 55,778,683</u>

Contingencies: The District receives grants from federal and state agencies that are subject to 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 could be identified during any such audits in the future.

In February 2016, the California Department of Justice notified the District it will be conducting an investigation into the reporting of Local Government Services Authority (LGS) listed employees to the California Public Employees' Retirement System (CalPERS) to determine whether contracted employees were properly reported to CalPERS for purposes of pension benefits. The District contracted with LGS for staffing until former LGS employees were hired by the District during the year ended June 30, 2014. Should the California Department of Justice find the District is the employer of record for the former LGS employees during the period they served as contract employees of the District, there is a potential the District would be held responsible for a portion of the unfunded pension obligations of employees who have earned enough service credits to qualify for CalPERS pension benefits. It appears only one or two employees accumulated enough service credit to qualify for pension benefits and the District does not believe it will be determined to be the employer of record due to the provisions in the contract with LGS explicitly stating LGS will be responsible for pension benefits. However, the ultimate outcome of this investigation is not currently known.

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE H – COMMITMENTS AND CONTINGENCIES (Continued)

During the year ended June 30, 2015, the District settled a dispute with Golden Gate Bridge and Transportation District (Golden Gate) over the definition of “revenue hours”, which is the basis of the purchased transportation expense. As a result, the District was credited \$1,042,700 by Golden Gate for amounts overbilled during the years ended June 30, 2014 and 2013, which was \$591,895 more than the amount accrued by the District as of the date the credit was received. The credit represents a change in estimate that was reflected as a reduction of 2015 purchased transportation expense.

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.

Concentrations: 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.

The District receives a substantial percentage of its revenue from sales tax, fuel tax and property tax, including Transportation Development Act, State Transit Assistance and Measure A revenue. A significant change in these revenue sources could have a significant impact on the District’s operations.

NOTE I – OTHER STATE GRANTS

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 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.

MARIN COUNTY TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE I – OTHER STATE GRANTS (Continued)

As of June 30, 2016 and 2015, the District was awarded \$4,781,755 from the State’s PTMISEA account for the projects listed in the tables below. The tables below disclose the PTMISEA amounts received, expended and unexpended for each approved project as of June 30:

<u>Project Name</u>	<u>Grant Amount</u>	<u>Received through June 30, 2016</u>	<u>Expended through June 30, 2016</u>	<u>Unexpended at June 30, 2016</u>
Local bus stop revitalization	\$ 400,000	\$ 247,181	\$ 247,251	\$ 152,749
Bus stop improvements	985,000			985,000
Purchase fourteen buses	1,157,651	1,916	1,157,651	
Purchase four thirty foot vehicles	271,810	256,411	243,787	28,023
Paratransit vehicles	300,000		300,000	
Paratransit vehicles expansion	547,687	540,192	547,687	
Stage upgrade to XHF	111,267		111,267	
Downtown Novato facility	1,008,340	41,915	62,337	946,003
	<u>\$ 4,781,755</u>	<u>\$ 1,087,615</u>	<u>\$ 2,669,980</u>	<u>\$ 2,111,775</u>

<u>Project Name</u>	<u>Grant Amount</u>	<u>Received through June 30, 2015</u>	<u>Expended through June 30, 2015</u>	<u>Unexpended at June 30, 2015</u>
Local bus stop revitalization	\$ 400,000	\$ 200,746	\$ 240,489	\$ 159,511
Bus stop improvements	985,000			985,000
Purchase fourteen buses	1,157,651		840	1,156,811
Purchase four thirty foot vehicles	271,810		1,008	270,802
Paratransit vehicles	300,000		240,784	59,216
Paratransit vehicles expansion	697,228			697,228
Stage upgrade to XHF	182,870			182,870
Downtown Novato facility	787,196			787,196
	<u>\$ 4,781,755</u>	<u>\$ 200,746</u>	<u>\$ 483,121</u>	<u>\$ 4,298,634</u>

LCTOP: The Low Carbon Transit Operations Program (LCTOP) was established by the California Legislature in 2014 by Senate Bill 862. The LCTOP provides funds to transit agencies to reduce greenhouse gas emission and improve mobility through operating and capital grants. Projects approved for LCTOP will support bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services or facilities, with each project reducing greenhouse gas emissions.

As of June 30, LCTOP funds of \$321,112 were allocated to the District. Of this amount, \$275,413 was received for transit operations on Route 23 and was not spent and is reported as restricted cash and cash equivalents. The remaining \$45,699 was allocated to the District for the purchase of four 30 foot buses and was receivable at June 30, 2016. Expenses of \$45,699 for the bus purchases were verified during the course of the audit.

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

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.

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, 2016 and 2015. 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 – Transportation Development Act Compliance Requirements

Transit operators are required to either meet a Transportation Development Act (TDA) funding limit of 50% of total expenses or maintain a minimum required fare revenue to operating expenses ratio in order to be eligible for TDA funding. The District's direct allocation of State Transit Assistance revenue meets the 50% expenditure limitation under TDA Section 99268, thereby making the District exempt from fare revenue ratio requirements.

NOTE L – RELATED PARTY TRANSACTIONS

The District's Board of Directors include members of the governing bodies of the County of Marin (the County), the City of Novato, the City of Mill Valley and City of San Rafael (the Cities). The District has various transactions with the County, Cities 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.

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

NOTE L – RELATED PARTY TRANSACTIONS (Continued)

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:

	2016	2015
Revenues from related parties:		
Golden Gate Bridge Highway and Transit District:		
Fares	\$ 2,055,265	\$ 2,511,907
Paratransit contribution	1,055,428	725,800
Advertising	229,202	218,971
Other revenues	157,712	70,359
Total revenues from related parties not separately reported	\$ 3,497,607	\$ 3,527,037
Expenses to related parties:		
Golden Gate Bridge Highway and Transit District - transit contract		
Local transit service operations	\$10,854,348	\$11,540,124
Capital costs	106,502	330,949
Vehicle repairs	33,712	
County of Marin - fuel	691,975	938,292
Marin Emergency Radio Authority - emergency radio system payments	45,341	44,306
County of Marin - other expenses	27,824	58,982
Metropolitan Transportation Commission - clipper	5,411	100,000
Town of Ross - shelter installation		2,405
Total expenses to related parties	\$11,765,113	\$13,015,058
Accounts payable to related parties:		
Golden Gate Bridge Highway and Transit District:		
Transit contract	\$ 1,451,710	\$ 477,231
County of Marin - miscellaneous	1,333	12,363
Total accounts payable to related parties	\$ 1,453,043	\$ 489,594
Unearned revenue from related parties:		
Transportation Authority of Marin - Measure A	\$ 16,934	\$ 23,489
Total unearned revenue from related parties	\$ 16,934	\$ 23,489

NOTE M – SUBSEQUENT EVENTS

In September 2016, the District was awarded a \$4.4 million grant from the United States Department of Transportation to purchase land. The land is part of an overall project to build a new transit operations and maintenance facility to house up to one hundred of the District's buses. The total project is expected to cost \$15 million.

SUPPLEMENTARY INFORMATION

MARIN COUNTY TRANSIT DISTRICT

BUDGETARY COMPARISON SCHEDULE – OPERATIONS

For the Year Ended June 30, 2016

	Original Budget	Revised Budget	Actual	Variance Over (Under)
REVENUES				
Fares	\$ 4,078,076	\$ 4,078,076	\$ 3,967,387	\$ (110,689)
Advertising and other revenues	344,520	344,520	386,914	42,394
Fees for service	2,448,427	2,448,427	2,050,543	(397,884)
Interest	5,000	5,000	14,044	9,044
Measure A	11,300,289	11,300,289	10,668,263	(632,026)
Measure A interest			85,000	85,000
Measure B	863,386	863,386	730,335	(133,051)
Property taxes	3,630,099	3,630,099	3,803,898	173,799
Redevelopment area (RDA) fees	17,517	17,517	52,032	34,515
State Transit Assistance (STA)	1,328,015	1,328,015	1,316,134	(11,881)
Transit Development Act (TDA)	4,566,400	4,566,400	4,562,778	(3,622)
Other state revenue	19,343	19,343	294,833	275,490
FTA funds	962,250	962,250	900,033	(62,217)
National Park Service grant	166,816	166,816	150,865	(15,951)
Cost center transfers			(7,930)	(7,930)
Total revenues	<u>29,730,138</u>	<u>29,730,138</u>	<u>28,975,129</u>	<u>(755,009)</u>
EXPENDITURES				
Salaries and Benefits	1,992,741	1,992,741	1,703,223	(289,518)
Consultant Services	523,561	523,561	268,485	(255,076)
Professional Services-Legal	85,000	85,000	58,301	(26,699)
Security and Maintenance	204,000	204,000	268,880	64,880
Customer Service	499,480	499,480	407,388	(92,092)
Indirect County Overhead	5,000	5,000	2,009	(2,991)
Mobility Management Support Programs	75,000	75,000	51,728	(23,272)
Office Supplies	128,999	128,999	133,684	4,685
General Insurance	30,000	30,000	29,580	(420)
Contract Service Operation	21,157,393	21,157,393	20,409,907	(747,486)
Membership & Prof Development	27,000	27,000	23,809	(3,191)
Mileage and Travel	18,400	18,400	13,122	(5,278)
Marketing	235,314	235,314	127,154	(108,160)
Communication	126,605	126,605	125,007	(1,598)
Fuel	2,864,944	2,864,944	1,619,443	(1,245,501)
Misc Services	30,750	30,750	16,451	(14,299)
Vehicle Leases & Vehicle Parking			400	400
Office - Rental and Overhead	96,000	96,000	94,469	(1,531)
Partner Agency Pass Through			85,000	85,000
Cost Center Transfers	(262,137)	(262,137)	(304,331)	(42,194)
Total expenditures	<u>27,838,050</u>	<u>27,838,050</u>	<u>25,133,709</u>	<u>(2,704,341)</u>
Excess of revenues over (under) expenditures	<u>\$ 1,892,088</u>	<u>\$ 1,892,088</u>	<u>\$ 3,841,420</u>	<u>\$ 1,949,332</u>

MARIN COUNTY TRANSIT DISTRICT

BUDGETARY COMPARISON SCHEDULE – CAPITAL PROGRAM

For the Year Ended June 30, 2016

	Original Budget	Revised Budget	Actual	Variance Over (Under)
REVENUES				
Fee for Service			\$ 8,812	\$ 8,812
Measure A Sales Tax	\$ 904,637	\$ 904,637	381,473	(523,164)
Measure A Sales Tax - Capitalized	500,081	852,868	559,241	(293,627)
Proposition 1B	2,643,421	3,455,249	2,186,858	(1,268,391)
STIP Program				
Low Carbon Transit Operations Program			45,699	45,699
FTA 5309 State of Good Repair	459,002	459,002	30,050	(428,952)
FTA 5307 Urbanized Area Formula	7,787,979	8,105,818	7,486,526	(619,292)
FTA 5316 JARC	288,000	288,000	1,400	(286,600)
FTA 5339 Discretionary	138,800	138,800	138,800	
FTA 5320 Transit in the Parks	542,729	542,729		(542,729)
Misc.-Reimbursement			8,349	8,349
Sale of Assets			101,376	101,376
Property Tax Transfer			7,930	7,930
Total revenues	13,264,649	14,747,103	10,956,514	(3,790,589)
EXPENDITURES				
<i>Vehicles</i>				
Articulated Bus Decals		160,000	103,964	(56,036)
Replace Seven 40ft Hybrid Vehicles	5,071,000	5,061,102	5,026,055	(35,047)
Replace 4 30ft Hybrid Vehicles	2,830,500	2,829,196	2,829,196	
Replace 10 40ft Hybrid Vehicles		7,000	4,953	(2,047)
Replace Three Paratransit Vehicles		13,856	13,855	(1)
Replace Thirteen Paratransit Vehicles		48,278	2,087	(46,191)
Replace Nine Paratransit Vehicles	872,400	685,400	682,927	(2,473)
Purchase Six Paratransit Vehicles	580,000	580,000	424,760	(155,240)
Replace Three Stage Vehicles	720,190	720,190	593,515	(126,675)
Rplace Two Shuttle Vehicles	244,000	224,000	2,549	(221,451)
<i>Facilities & Stops</i>				
Bus Stop Improvements SGR	519,395	519,395	54,908	(464,487)
Bus Stop Inventory Update	100,000	100,000		(100,000)
Downtown Novato Stop (NH) - Design	100,000	242,548	245,940	3,392
Downtown Novato Stop Construction (NC)		985,000	62,337	(922,663)
Maintenance Facility		40,000	21,537	(18,463)
Muir Woods Infrastructure Improvements	542,729	542,729		(542,729)
<i>Technology Projects</i>				
On Board Equipment 2015	40,000	118,000	116,518	(1,482)
Security Cameras		21,811	235	(21,576)
On Board Equipment 2016		50,000	44,044	(5,956)
School AVL		15,000	14,687	(313)
Fareboxes (FB)	30,000			
Hybrid Fareboxes (FH)		161,000	160,994	(6)
Paratransit Fareboxes	121,000	121,000	37,936	(83,064)
Mobility Management Technology	340,798	362,294	1,750	(360,544)
Mobile Data Terminals	12,500	12,500	2,475	(10,025)
MERA	26,000	26,000	27,283	1,283
Radio Communication Upgrade	348,000	348,000		(348,000)
<i>Ongoing Capital Expenses</i>				
Golden Gate Capital Costs (GG)	150,000	150,000	106,502	(43,498)
Bus Stop Maintenance (BM)	100,000	100,000	17,195	(82,805)
Major Vehicle Repairs (VR)	300,000	300,000	72,516	(227,484)
Infrastructure Support (IF)	216,137	202,804	239,006	36,202
Software Maintenance			6,555	6,555
Total expenditures	13,264,649	14,747,103	10,916,279	(3,830,824)
Excess of revenues over (under) expenditures	\$ -	\$ -	\$ 40,235	\$ 40,235

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

For the Year Ended June 30, 2016

Excess of revenues over (under) expenditures - budgetary basis (operations)	\$ 3,841,420
Excess of revenues over (under) expenditures - budgetary basis (capital program)	40,235
Amounts not budgeted:	
Capital asset additions	12,258,462
Net book value of capital asset disposals	(3,420)
Depreciation expense	<u>(1,753,960)</u>
Increase (decrease) in net position	<u>\$ 14,382,737</u>

STATISTICAL SECTION (Unaudited)

Statistical Section

This section of the District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall health.

<u>CONTENTS</u>	<u>Pages</u>
<u>Financial Trends</u>	34-36
This segment contains trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
<u>Revenue Capacity</u>	37-41
This segment includes information to help the reader assess the District's most significant own-source revenues: passenger fares and property taxes.	
<u>Debt Capacity</u>	42
This segment presents information intended to assist the reader in understanding and assessing the District's current level of outstanding debt and its ability to issue additional debt in the future.	
<u>Economic and Demographic Information</u>	43-44
This segment depicts county-wide demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
<u>Operating Information</u>	45-49
These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.	

**MARIN COUNTY TRANSIT DISTRICT
STATISTICAL SECTION**

FINANCIAL TRENDS

**SCHEDULE OF NET POSITION
LAST TEN FISCAL YEARS**

	2007	2008*	2009	2010	2011	2012	2013	2014	2015	2016
Net investment in capital assets	\$ 393,959	\$ 646,702	\$ 1,751,461	\$ 2,520,630	\$ 2,249,366	\$ 3,595,152	\$ 6,113,707	\$ 7,201,252	\$ 8,665,148	\$ 19,166,232
Restricted net position										307,027
Unrestricted net position	2,410,502	5,975,069	9,427,959	7,821,246	7,376,283	5,794,532	7,341,199	9,236,575	11,847,226	15,421,852
Total net position	<u>\$ 2,804,461</u>	<u>\$ 6,621,771</u>	<u>\$ 11,179,420</u>	<u>\$ 10,341,876</u>	<u>\$ 9,625,649</u>	<u>\$ 9,389,684</u>	<u>\$ 13,454,906</u>	<u>\$ 16,437,827</u>	<u>\$ 20,512,374</u>	<u>\$ 34,895,111</u>

* As restated

Source: MCTD Audited Financial Statements

**MARIN COUNTY TRANSIT DISTRICT
STATISTICAL SECTION**

FINANCIAL TRENDS

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

	2007	2008	2009*	2010	2011	2012	2013	2014	2015	2016
OPERATING REVENUES										
Transit fares	\$ 3,538,663	\$ 3,570,918	\$ 3,736,314	\$ 3,643,582	\$ 3,640,913	\$ 3,610,175	\$ 3,720,004	\$ 3,731,205	\$ 3,669,514	\$ 3,586,587
Contractual compensation	1,506,128	1,569,038	1,615,247	1,590,378	1,760,645	1,779,524	1,734,847	1,906,714	1,950,099	2,028,796
Advertising ¹	439,714	510,973	533,082	505,672	453,219	464,309	-	-	-	-
Miscellaneous	-	-	-	-	45,637	-	-	-	-	-
Special fares	-	-	-	-	-	-	-	20,000	-	380,798
TOTAL OPERATING REVENUES	5,484,505	5,650,929	5,884,643	5,739,632	5,900,414	5,854,008	5,454,851	5,657,919	5,619,613	5,996,181
OPERATING EXPENSES										
Purchased transportation services	18,800,630	18,747,305	19,858,355	21,871,971	20,826,032	21,839,008	20,517,322	21,720,736	21,888,029	20,461,632
Depreciation	251,076	138,801	315,942	496,948	511,521	651,343	715,867	937,139	917,002	1,753,960
Direct Labor	-	-	-	-	-	-	143,364	964,311	1,327,913	1,631,669
Fuel	488,414	659,501	591,192	575,873	567,028	704,196	953,177	1,355,476	1,291,857	1,619,444
Professional Services	-	-	397,877	171,180	368,026	354,714	351,732	486,242	554,304	1,003,065
General and administrative	340,988	548,056	305,862	420,216	262,693	285,601	188,549	165,775	129,360	179,181
Marketing	-	-	63,078	92,336	91,248	121,743	72,424	136,455	114,660	127,154
Capital costs	-	-	-	-	58,140	2,250	197,002	383,848	330,949	109,393
Utilities	-	-	-	-	30,326	30,703	43,021	73,940	91,016	106,949
Leases and rentals	-	-	-	-	523,283	539,051	155,728	100,975	92,236	94,469
Other services	-	-	-	-	10,638	26,626	70,615	66,750	66,654	61,792
Causality and liability costs	-	-	-	-	15,491	17,819	25,433	25,738	29,444	29,580
Maintenance costs	-	-	-	-	33,979	72,752	734	53,439	89,988	15,961
Contract Labor ²	468,821	468,993	674,057	1,014,604	1,013,098	1,358,638	1,324,074	469,169	-	-
Interest Expense	35,939	34,635	1,547	-	-	-	-	-	-	-
TOTAL OPERATING EXPENSE	20,385,868	20,597,291	22,207,910	24,643,128	24,311,503	26,004,444	24,759,042	26,939,993	26,923,412	27,194,249
OPERATING INCOME (LOSS)	(14,901,363)	(14,946,362)	(16,323,267)	(18,903,496)	(18,411,089)	(20,150,436)	(19,304,191)	(21,282,074)	(21,303,799)	(21,198,068)

**MARIN COUNTY TRANSIT DISTRICT
STATISTICAL SECTION**

FINANCIAL TRENDS

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (continued)
LAST TEN FISCAL YEARS**

	2007	2008	2009*	2010	2011	2012	2013	2014	2015	2016
NONOPERATING REVENUES (EXPENSES)										
Intergovernmental revenue	\$ 13,832,815	\$ 15,936,019	\$ 15,447,894	\$ 13,186,223	\$ 14,289,797	\$ 15,113,612	\$ 16,623,069	\$ 18,559,479	\$ 19,097,503	\$ 19,069,595
Property tax revenue	2,906,523	3,233,545	3,225,851	3,258,947	3,141,177	3,164,121	3,229,758	3,447,835	3,611,357	3,848,219
Advertising ¹	-	-	-	-	-	-	334,864	344,516	283,443	386,914
Interest income	37,686	107,306	107,374	70,762	23,628	6,472	2,575	5,399	9,816	14,044
Miscellaneous revenue	-	-	-	-	-	-	-	-	2,134	-
Marin Community Foundation	-	-	-	-	-	-	-	-	-	-
Other revenues/Gain on disposal of capital assets	-	-	-	-	-	2,844	(21,696)	30,171	-	88,571
Pass through of Measure A to Golden Gate Transit	-	-	-	-	-	-	-	(85,000)	-	(85,000)
TOTAL NONOPERATING REVENUES (EXPENSES)	16,777,024	19,276,870	18,781,119	16,515,932	17,454,602	18,287,049	20,168,570	22,302,400	23,004,253	23,322,343
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,875,661	4,330,508	2,457,852	(2,387,564)	(956,487)	(1,863,387)	864,379	1,020,326	1,700,454	2,124,275
CAPITAL CONTRIBUTIONS										
Intergovernmental revenue	-	-	2,099,797	1,550,020	240,260	1,627,422	3,200,843	1,962,595	2,374,093	12,250,751
Other revenue	-	-	-	-	-	-	-	-	-	7,711
TOTAL CAPITAL CONTRIBUTIONS	-	-	2,099,797	1,550,020	240,260	1,627,422	3,200,843	1,962,595	2,374,093	12,258,462
CHANGE IN NET POSITION	1,875,661	4,330,508	4,557,649	(837,544)	(716,227)	(235,965)	4,065,222	2,982,921	4,074,547	14,382,737
Net position at beginning of year	928,800	2,804,461	7,134,969	11,179,420	10,341,876	9,625,649	9,389,684	13,454,906	16,437,827	20,512,374
Prior period adjustment	-	-	(513,198)	-	-	-	-	-	-	-
Net position at beginning of year, as restated	928,800	2,804,461	6,621,771	11,179,420	10,341,876	9,625,649	9,389,684	13,454,906	16,437,827	20,512,374
NET POSITION AT END OF YEAR	\$ 2,804,461	\$ 7,134,969	\$ 11,179,420	\$ 10,341,876	\$ 9,625,649	\$ 9,389,684	\$ 13,454,906	\$ 16,437,827	\$ 20,512,374	\$ 34,895,111

¹ Advertising revenue re-classified from Operating to Nonoperating revenue beginning FY13.

² Labeled "Salaries and benefits" from FY06 to FY08; "Staff Compensation" from FY09 to FY12.

* Information necessary to restate 2008 balances was not available.

Source: MCTD Audited Financial Statements

**MARIN COUNTY TRANSIT DISTRICT
STATISTICAL SECTION**

REVENUE CAPACITY

**PASSENGER AND FARE DATA
LAST TEN FISCAL YEARS**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fare Revenue ¹	\$ 3,538,663	\$ 3,570,918	\$ 3,736,314	\$ 3,643,582	\$ 3,640,913	\$ 3,610,175	\$ 3,720,004	\$ 3,751,205	\$ 3,669,514	\$ 3,967,385
Passengers ²	3,368,065	3,444,300	3,406,115	3,299,287	3,382,802	3,426,845	3,432,469	3,546,112	3,424,628	3,332,265
Average fare per passenger	\$ 1.05	\$ 1.04	\$ 1.10	\$ 1.10	\$ 1.08	\$ 1.05	\$ 1.08	\$ 1.06	\$ 1.07	\$ 1.19

¹ Source: Marin Transit Audited Financial Statements

² Sources: Marin Transit Short Range Transit Plans, Monthly Monitoring & Performance Statistic Reports

**MARIN COUNTY TRANSIT DISTRICT
STATISTICAL SECTION**

REVENUE CAPACITY

**FARE STRUCTURE
AS OF JUNE 30, 2016**

Category	Cash Price	Clipper	6 Month Pass ¹	1-Day Pass	7-Day Pass	31-Day Pass
Adult	\$2.00	\$1.80	-	\$5.00	\$20	\$80
Youth (5-18)	\$1.00	\$1.00	\$175 ¹	\$2.50	\$10	\$40
Children Under 5	Free when accompanied by an adult					
Seniors (65+)	\$1.00	\$1.00	-	\$2.50	\$10	\$25
Persons with Disabilities	\$1.00	\$1.00	-	\$2.50	\$10	\$25
ADA Mandated Service ²	\$2.00	-	-	-	-	-
ADA Non-Mandated Service ³	\$2.50	-	-	-	-	-

¹ Free to low income youth. \$325 for a year.

² ADA Regulations permit fares for ADA Mandated trips to be as high as \$4.00.

³ ADA Regulations set no maximum for Non-Mandated ADA trips.

Muir Woods Fare Category	Current Fare
Adult	\$5.00
Youth (16-18)	\$5.00
Youth (under 16)	Free
Senior/Disabled (without NPS Pass)	\$5.00
Senior/Disabled and up to three party members (with NPS Pass)	Free

Source: Marin Transit 2016-2025 Short Range Transit Plan

**MARIN COUNTY TRANSIT DISTRICT
STATISTICAL SECTION**

REVENUE CAPACITY

**PROPERTY TAX REVENUE
LAST TEN FISCAL YEARS**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Property Tax Revenue	\$ 2,906,523	\$ 3,233,545	\$ 3,225,851	\$ 3,258,947	\$ 3,141,177	\$ 3,164,121	\$ 3,229,758	\$ 3,447,835	\$ 3,611,357	\$ 3,848,219

Source: MCTD Audited Financial Statements

**MARIN COUNTY TRANSIT DISTRICT
STATISTICAL SECTION**

REVENUE CAPACITY

**ASSESSED VALUATION OF TAXABLE PROPERTY
IN MARIN COUNTY
LAST TEN FISCAL YEARS (IN THOUSANDS)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Secured ¹	\$ 49,034,110	\$ 52,421,716	\$ 55,451,069	\$ 56,421,874	\$ 55,762,678	\$ 56,212,206	\$ 56,725,179	\$ 58,938,343	\$ 62,341,701	\$ 66,718,112
Unsecured ²	1,429,601	1,409,966	1,449,359	1,488,475	1,467,396	1,462,190	1,470,366	1,480,668	1,530,991	1,556,521
Exempt ³	1,591,866	1,669,047	1,731,004	1,825,610	1,850,867	1,906,079	1,958,091	2,013,902	2,037,580	2,067,204
Total Taxable Assessed Value	\$ 48,871,845	\$ 52,162,635	\$ 55,169,424	\$ 56,084,739	\$ 55,379,207	\$ 55,768,317	\$ 56,237,454	\$ 58,405,109	\$ 61,835,112	\$ 66,207,429
Total Direct Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

¹ Secured property is generally real property, defined as land, mines, minerals, timber and improvements such as buildings, structures, crops, trees and vines

² Unsecured property is generally personal property including machinery, equipment, office tools, and supplies.

³ Exempt properties include numerous full and partial exclusions/exemptions provided by the State Constitution and the legislature that relieve certain taxpayers from the burden of paying property taxes.

Source: Department of Finance - County of Marin, California

**MARIN COUNTY TRANSIT DISTRICT
STATISTICAL SECTION**

REVENUE CAPACITY

**DIRECT AND OVERLAPPING PROPERTY TAX RATES¹
IN MARIN COUNTY
LAST TEN FISCAL YEARS (RATE PER \$100 OF ASSESSED VALUE)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
County Direct Rate	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Local Special Districts	0.6782%	0.6924%	0.7121%	0.6741%	0.7677%	0.8093%	0.7721%	0.2876%	0.8156%	0.8200%
Schools	0.6230%	0.6186%	0.5836%	0.6468%	0.7423%	0.7808%	0.7884%	0.7775%	0.8000%	0.8114%
Cities	0.2679%	0.2778%	0.2734%	0.2757%	0.2860%	0.2523%	0.2522%	0.2601%	0.2519%	0.2510%
Total Direct and Overlapping ²	2.5691%	2.5888%	2.5691%	2.5966%	2.7960%	2.8424%	2.8127%	2.3252%	2.8675%	2.8824%

¹ On June 6, 1978, California voters approved a constitutional amendment to Article XIII A of the California Constitution, commonly known as Proposition 13, which limits the taxing power of California public agencies. Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that notwithstanding any other law, local agencies may not levy property tax except to pay debt service on indebtedness approved by voters prior to July 1, 1978 and that each County will levy the maximum tax permitted by Article XIII A of \$1 per \$100 of full cash value. Full cash value is equivalent to assessed value, pursuant to Senate Bill 1656, Statutes of 1978. The rates shown above are percentages of assessed valuation.

² These rates represent the maximum rate charged to taxpayers if all rates applied to them. In reality, the rates applicable to tax rate areas will vary at amounts lower than these totals.

Source: Department of Finance - County of Marin, California

**MARIN COUNTY TRANSIT DISTRICT
STATISTICAL SECTION**

DEBT CAPACITY

**OUTSTANDING DEBT BALANCES
LAST TEN FISCAL YEARS**

Original Loan														
LENDER:	Amount	Date of Loan	Purpose:	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
County of Marin	\$ 500,000	January 2004	Operations	\$ 200,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
County of Marin	600,000	July 2004	Operations	400,000	-	-	-	-	-	-	-	-	-	
County of Marin	420,000	November 2004	Operations	140,000	-	-	-	-	-	-	-	-	-	
				\$ 740,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Source: MCTD Audited Financial Statements

**MARIN COUNTY TRANSIT DISTRICT
STATISTICAL SECTION**

ECONOMIC AND DEMOGRAPHIC INFORMATION

**ECONOMIC AND DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	Population ¹	Personal Income (in thousands) ¹	Per Capita Personal Income ¹	School Enrollment ²	Unemployment Rate ³
2007	246,100	\$ 22,574,434,000	\$ 91,729	29,081	3.70%
2008	248,345	\$ 23,161,297,000	\$ 93,263	29,100	4.80%
2009	250,750	\$ 22,351,575,000	\$ 89,139	29,615	7.90%
2010	252,789	\$ 20,854,466,000	\$ 82,498	30,140	7.80%
2011	255,031	\$ 21,871,623,000	\$ 85,761	30,574	7.50%
2012	256,069	\$ 23,918,732,000	\$ 93,407	31,107	6.60%
2013	258,365	\$ 25,093,401,000	\$ 97,124	31,868	5.40%
2014	260,750	\$ 25,716,754	\$ 98,626	32,793	4.20%
2015	*	*	*	33,207	3.50%
2016	*	*	*	*	3.50%

* Not available from County as of issuance date

Sources:

¹ *US Department of Commerce, Bureau of Economic Analysis - www.bea.gov*

² *California Department of Education, Educational Demographics Office - www.ed-data.org/county/Marin*

³ *Employment Development Department, Labor Market Information - www.labormarketinfo.edd.ca.gov*

**MARIN COUNTY TRANSIT DISTRICT
STATISTICAL SECTION**

ECONOMIC AND DEMOGRAPHIC INFORMATION

**PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

2015			2006		
Employer	Employees	Percentage of Total County Employment	Employer	Employees	Percentage of Total County Employment
County of Marin	2,125	1.49%	County of Marin	2,195	1.69%
San Quentin State Prison	1,705	1.20%	San Quentin Prison	1,718	1.32%
Kaiser Permanente Medical Center	1,575	1.11%	Kaiser Permanente Medical Center	1,380	1.06%
Marin General Hospital	1,378	0.97%	Fireman's Fund Insurance Co.	1,150	0.89%
BioMarin Parmaceutical	850	0.60%	Novato Unified School District	1,000	0.77%
Novato Unified School District	834	0.59%	Autodesk, Inc.	988	0.76%
Autodesk, Inc.	763	0.54%	Marin General Hospital	867	0.67%
Fireman's Fund Insurance Co.	721	0.51%	Safeway, Inc.	636	0.49%
San Rafael City Schools	610	0.43%	GreenPoint Mortgage	589	0.45%
Dominican University	422	0.30%	Macy's	535	0.41%
Total	<u>10,983</u>	<u>7.72%</u>	Total	<u>11,058</u>	<u>8.51%</u>
Total County Employment	<u>142,300</u>		Total County Employment	<u>129,900</u>	

Note: Information for current year is not available. Information for periods that are available are provided as an alternative.

Sources:

Community Profile, County of Marin

Employment Development Department, Labor Market Information - www.Labormarketinfo.edd.ca.gov

**MARIN COUNTY TRANSIT DISTRICT
STATISTICAL SECTION**

OPERATING INFORMATION

**DISTRICT PROFILE
AS OF JUNE 30, 2016**

Date the District was formed	1964
Form of Governance	Board of Directors, with General Manager
Total Employees	13
Service Area	All of Marin County
Area of District (in square miles)	Approximately 520
Population of service area ¹	260,750
Local Financial Support	Measure A Sales Tax Revenue
Number of Fixed Route Bus Routes	31
Revenue Service Hours	216,640
Average Passenger Trips per Revenue Hour	15.2
Number of Vehicles in Service	113
Bus Stops	600+

¹ As of 2014

Source: MCTD Finance Department

**MARIN COUNTY TRANSIT DISTRICT
STATISTICAL SECTION**

OPERATING INFORMATION

**NON-OPERATING INTERGOVERNMENTAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS**

	2007 ¹	2008 ¹	2009	2010	2011	2012	2013	2014	2015	2016
Federal revenue										
Federal Transit Administration			\$ 1,876,373	\$ 1,020,762	\$ 652,055	\$ 741,773	\$ 1,070,210	\$ 1,375,087	\$ 1,317,128	\$ 901,433
United States Department of the Interior - National Parks Service	-	-	-	-	133,852	152,465	126,276	159,028	168,665	150,865
Total Federal Revenue	<u>\$ 217,252</u>	<u>\$ 680,069</u>	<u>1,876,373</u>	<u>1,020,762</u>	<u>785,907</u>	<u>894,238</u>	<u>1,196,486</u>	<u>1,534,115</u>	<u>1,485,793</u>	<u>1,052,298</u>
State revenue										
Transportation Development Act	-	-	3,355,758	3,236,081	3,293,393	3,451,219	3,591,333	4,015,345	4,542,050	4,562,778
State Transit Assistance	-	-	505,240	184,275	1,324,574	1,390,390	1,602,754	1,360,737	1,310,912	1,316,134
Public Transportation Modernization Improvement STIP	-	-	-	600,526						
Home Owner Property Tax Relief	-	-	31,397	60,259						
Low Carbon Transit Operations Program	-	-	20,347	20,054	19,951	19,999	19,661	19,500	19,326	19,138
Caltrans	-	-	-	-	-	-	-	-	-	275,413
Total state revenue	<u>4,945,105</u>	<u>5,357,552</u>	<u>3,913,112</u>	<u>4,101,458</u>	<u>4,638,170</u>	<u>4,861,815</u>	<u>5,213,980</u>	<u>5,395,835</u>	<u>5,872,496</u>	<u>6,173,746</u>
Local revenue										
Measure A			9,604,266	8,063,215	8,865,720	9,063,903	9,671,912	10,849,462	10,860,313	10,998,120
Measure A Interest			-	-	-	-	-	85,000	-	85,000
Measure B			-	-	-	276,677	534,025	671,308	863,617	730,335
Metropolitan Transportation Commission			-	-	-	13,334	6,666	-	-	-
Golden Gate Bridge Highway & Transportation District			45,143	-	-	-	-	-	-	-
County of Marin			9,000	788	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	3,645	-	23,759	15,284	30,096
Total local revenue	<u>8,670,458</u>	<u>9,898,398</u>	<u>9,658,409</u>	<u>8,064,003</u>	<u>8,865,720</u>	<u>9,357,559</u>	<u>10,212,603</u>	<u>11,629,529</u>	<u>11,739,214</u>	<u>11,843,551</u>
Total intergovernmental revenue	<u>\$ 13,832,815</u>	<u>\$ 15,936,019</u>	<u>\$ 15,447,894</u>	<u>\$ 13,186,223</u>	<u>\$ 14,289,797</u>	<u>\$ 15,113,612</u>	<u>\$ 16,623,069</u>	<u>\$ 18,559,479</u>	<u>\$ 19,097,503</u>	<u>\$ 19,069,595</u>

¹ Detailed revenue by agency was not presented in the District's audited financial statements for these years.

Source: MCTD Audited Financial Statements

**MARIN COUNTY TRANSIT DISTRICT
STATISTICAL SECTION**

OPERATING INFORMATION

**SUMMARY OF SERVICE PROVIDER CONTRACTS
AS OF JUNE 30, 2016**

Contract Type	Services Provided	Contractor	Current Term
Inter-governmental agreement	Local Fixed Route	Golden Gate Transit	July 1, 2015 - June 30, 2020
Competitively bid	Community Shuttles	Marin Airporter	July 1, 2013 - June 30, 2018
Competitively bid	Rural and Seasonal Services	MV Transportation	Jan 1, 2012 - June 30, 2018
Competitively bid	Local Paratransit and Novato Dial-A-Ride	Marin Senior Coordinating Council	Jan 1, 2016 - June 30, 2020
Competitively bid	Travel Navigator	Marin Senior Coordinating Council	July 1, 2016 - June 30, 2018
Competitively bid	Catch-A-Ride	MV Transportation	July 1, 2013 - June 30, 2017
Competitively bid	Volunteer Driver and Travel Navigators*	Marin Senior Coordinating Council	Jan 1, 2011 - June 30, 2016
Competitively bid	Volunteer Driver	West Marin Senior Services	Jan 1, 2011 - June 30, 2016
Competitively bid	Traditional Volunteer Driver	Marin Senior Coordinating Council	Feb 2, 2015 - June 30, 2016
Sole Source after receiving no bids	Yellow Bus Service	Michael's Transportation	July 1, 2015 - June 30, 2016

* Subsumed in new Travel Navigator Contract

Source: Finance Department

**MARIN COUNTY TRANSIT DISTRICT
STATISTICAL SECTION**

OPERATING INFORMATION

**SUMMARY OF CAPITAL ASSETS
LAST TEN FISCAL YEARS**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Number of buses owned	24	28	49	49	50	51	55	58	66	90
Cost of assets:										
Work in progress	\$ -	\$ -	\$ -	\$ -	\$ 196,851	\$ 515,919	\$ 701,902	\$ 1,024,112	\$ 2,176,497	\$ 1,746,405
Revenue Vehicles	1,255,381	1,584,190	2,690,715	3,206,347	3,292,294	4,600,270	6,987,949	6,758,552	7,597,033	17,466,010
Facilities and stops	23,899	-	-	-	-	-	-	1,495,243	1,553,706	2,913,267
Communication and data equipment	-	-	23,482	674,407	631,867	680,264	984,560	1,065,948	1,251,626	1,251,626
Fare revenue collection equipment	-	-	193,708	193,708	193,708	193,708	257,913	266,465	412,356	412,356
Furniture and fixtures	-	62,735	62,735	62,735	62,735	62,735	88,351	88,351	88,351	88,351
Non-revenue vehicles	-	-	-	-	-	-	6,300	6,300	6,300	6,300
Total cost	<u>\$ 1,279,280</u>	<u>\$ 1,646,925</u>	<u>\$ 2,970,640</u>	<u>\$ 4,137,197</u>	<u>\$ 4,377,455</u>	<u>\$ 6,052,896</u>	<u>\$ 9,026,975</u>	<u>\$ 10,704,971</u>	<u>\$ 13,085,869</u>	<u>\$ 23,884,315</u>
Less: accumulated depreciation	<u>885,321</u>	<u>1,000,223</u>	<u>1,219,179</u>	<u>1,616,567</u>	<u>2,128,089</u>	<u>2,457,744</u>	<u>2,913,268</u>	<u>3,503,719</u>	<u>4,420,721</u>	<u>4,718,083</u>
Net capital assets	<u>\$ 393,959</u>	<u>\$ 646,702</u>	<u>\$ 1,751,461</u>	<u>\$ 2,520,630</u>	<u>\$ 2,249,366</u>	<u>\$ 3,595,152</u>	<u>\$ 6,113,707</u>	<u>\$ 7,201,252</u>	<u>\$ 8,665,148</u>	<u>\$ 19,166,232</u>

Source: MCTD Audited Financial Statements

**MARIN COUNTY TRANSIT DISTRICT
STATISTICAL SECTION**

OPERATING INFORMATION

**VEHICLE OPERATING STATISTICS
LAST TWO FISCAL YEARS**

	2015	2016
MOTORBUS:		
Vehicles Operated in Annual Maximum Service (VOMS)	69	53
Vehicles Available for Annual Maximum Service	85	82
Total Actual Vehicle Revenue Miles (VRM)	2,133,375	2,166,258
Total Actual Vehicle Revenue Hours (VRH)	152,799	156,803
Unlinked Passenger Trips	3,252,116	3,031,450
Passenger Miles Traveled (PMT)	13,209,269	12,312,979
Days Operated	365	366
DEMAND RESPONSE:		
Vehicles Operated in Annual Maximum Service (VOMS)	38	27
Vehicles Available for Annual Maximum Service	39	34
Total Actual Vehicle Revenue Miles (VRM)	927,058	688,072
Total Actual Vehicle Revenue Hours (VRH)	60,417	44,764
Unlinked Passenger Trips	137,131	98,483
ADA Unlinked Passenger Trips (UPT)	132,138	98,236
Passenger Miles Traveled (PMT)	1,039,975	811,798
Days Operated	365	366

* Notes:

FY15 was the first year in which the District reported all of its own services to the National Transit Database (NTD).

In FY16, the Golden Gate Bridge Highway & Transportation District began reporting a portion of local demand response.

SINGLE AUDIT SECTION

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*, THE TRANSPORTATION DEVELOPMENT ACT AND OTHER STATE PROGRAM 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, a component unit of the County of Marin, California (the District), as of and for the year ended June 30, 2016, 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 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 State grant programs)

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. Our audit was further made to determine that Transportation Development Act (TDA) Funds allocated to and received by the District were expended in conformance with the applicable statutes, rules and regulations of TDA and Section 6667 of the California Code of Regulations. We also tested the receipt and appropriate expenditure of other state grant funds, as presented in Note I to the financial statements, in accordance with State grant program 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 State grant program requirements.

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*, the TDA and State grant programs in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

November 14, 2016



550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

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, a component unit of the County of Marin, California (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 14, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the basic 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 basic financial statements. 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 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.

To the Board of Directors
Marin County Transit District

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

Richardson & Company, LLP

November 14, 2016

MARIN COUNTY TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

A. Summary of Auditor's Results

Financial Statements

- | | |
|-----------------------------------------------------------------------------------------------------|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 3. Noncompliance material to financial statements under <i>Government Auditing Standards</i> 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: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular 2 CFR Section 200.516(a)? | No |

4. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.500, 20.507 and 20.526	Federal Transit Cluster: Federal Transit Capital Investment Grants, 20.500, Federal Transit Formula Grants, 20.507 and Bus and Bus Facilities Formula Program, 20.526.

- | | |
|-----------------------------------------------------------------------------|------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$ 750,000 |
| 6. Auditee qualified as a low-risk auditee under 2 CFR Section 200.516(a)? | Yes |

MARIN COUNTY TRANSIT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2016

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, 2016

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	\$ 121,412
National Park Service Conservation, Protection, Outreach and Education - Direct Program (Fort Baker Pilot Program)	15.954	P12AC10481	29,453
Total U.S. Department of the Interior Direct Programs			<u>150,865</u>
U. S. Department of Transportation, Federal Transit Administration			
Federal Transit Cluster - 20.500, 20.507 and 20.526 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	30,050
Federal Transit Formula Grants - Direct Program			
(5307 - Seven Hybrid Buses)	20.507	CA-90-Z068	4,013,188
(5307 - Three Paratransit Vehicles)	20.507	CA-90-Z125	11,084
(5307 - Four Hybrid Buses)	20.507	CA-90-Z190-01	2,263,356
(5307 - Thirteen Paratransit Vehicles)	20.507	CA-90-Z190-01	1,669
(5307 - Stage Vehicles)	20.507	CA-90-Z190-02	343,447
(5307 - Nine Paratransit Vehicles)	20.507	CA-90-Z190-02	558,460
(5307 - Equipment)	20.507	CA-90-Z190-02	253,055
(5307 - Americans with Disabilities Act Set-Aside)	20.507	CA-90-Z190-02	461,944
(5307 - Fareboxes and Equipment for replaced vehicles)	20.507	CA-2016-055-02	36,116
(5307 - One 30 foot Shuttle and two 30 foot diesel buses)	20.507	CA-2016-055-03	6,151
Total Federal Transit Formula Grants			<u>7,948,470</u>
Passed-through California State Transportation Agency, Department of Transportation			
Bus and Bus Facilities Formula Program (5339 - One 29 foot bus)	20.526	64GC17-00223	138,800 a
Total Federal Transit Cluster - 20.500, 20.507 and 20.526			<u>8,117,320</u>
Passed-through California State Transportation Agency, Department of Transportation			
Metropolitan Transportation Planning and Non-Metropolitan Planning and Research (5304 - Coordinated Marin County Student Plan)	20.505	74A0770	17,875 a
Formula Grants for Rural Areas			
(5311 - Stagecoach Rural Operating Service)	20.509	642146	200,063
(5311 - CalAct Scholarship Program)	20.509	None	1,303
Total Formula Grants for Rural Areas			<u>201,366 a</u>

MARIN COUNTY TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

For the Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor, if Applicable/ Program Title/Grant or Pass-through Number	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
Enhanced Mobility of Seniors and Individuals with Disabilities			
(5310 - Travel Navigators - Caltrans)	20.513	64AO16-00143	40,026
(5310 - Catch-a-Ride - Caltrans)	20.513	64AO16-00142	97,087
Total Enhanced Mobility of Seniors and Individuals with Disabilities			<u>137,113</u> a
Passed-through the Metropolitan Transportation Commission			
Job Access Reverse Commute Program			
(Mobility Management Technology)	20.516	CA-37-X164-00	1,400
Total Passed-through the Metropolitan Transportation Commission			<u>1,400</u>
New Freedom Program			
(Cycle 5 Isolated Population) - Direct Program	20.521	CA-57-X110-00	81,735
Total U.S. Department of Transportation, Federal Transit Administration			<u>8,556,809</u>
TOTAL FEDERAL AWARDS			<u>\$ 8,707,674</u>
Total Passed-through California State Transportation Agency, Department of Transportation		Sum of a	<u>\$ 495,154</u>

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Marin County Transit District under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the District's operations, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenses reported on the Schedule are reported on the accrual basis of accounting. Such expenses are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenses are not allowable or are limited as to reimbursement.

MARIN COUNTY TRANSIT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

For the Year Ended June 30, 2016

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

NOTE C – INDIRECT COST ALLOCATION PLAN

The District has an indirect cost allocation plan (ICAP) approved by the California State Transportation Agency, Department of Transportation (Caltrans) that is charged to programs where allowed under the related agreements. The ICAP during the year ended June 30, 2016 included an ICAP rate of 23.98% and a fringe benefit rate of 75.72% of total direct salaries and wages.

NOTE D – SUBRECIPIENTS

There were no subrecipients of the District's programs during the year ended June 30, 2016.