

August 20, 2008

Board of Directors
Marin County Transit District

In planning and performing our audit of the financial statements of the Marin County Transit District (MCTD) as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered MCTD's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MCTD's internal control. Accordingly, we do not express an opinion on the effectiveness of MCTD's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Recently issued auditing standards require us to communicate such matters in writing even though such matters have been communicated previously. We believe that the following deficiencies constitute material weaknesses.

- **Financial Statement Preparation:** MCTD does not have an internal process to prepare financial statements in accordance with generally accepted accounting principles, including reporting capital assets, depreciation, and required disclosures in



accordance with generally accepted accounting principles. While such a process is required by generally accepted accounting principles, your Board should consider whether the benefits of that information justify the additional cost.

Management response: Management agrees that financial statements prepared in accordance with generally accepted accounting standards provide useful information in evaluating the performance of the District. However, management believes that the users of interim financial statements have access to the financial and other information needed to competently management operations during the fiscal year. Management has concluded that the cost of maintaining the ability to internally produce formal financial statements outweighs the benefits and, therefore, intends to not implement this recommendation.

- **General Ledger Maintenance:** During the course of our audit, we recommended several adjustments to the generally ledger which we considered necessary for the District to prepare financial statements in accordance with generally accepted accounting principles. This District had not timely recorded certain accrued revenue and expenditures and other transaction due to, in part, difficulties related to the implementation of the County's SAP accounting system. The recent rapid growth in the District's budget calls for increasingly detailed and precise accounting information. We recommend that the District consider creating a position at the District dedicated to financial and budgetary reporting specifically for the District, with responsibility for or direct access to supplier and vendor contracts.

Management response: Management agrees that its financial information system should grow with the District and will consider this recommendation along with alternatives in order to achieve this objective.

Marin County Transit District's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Maher Accountancy
San Rafael, California

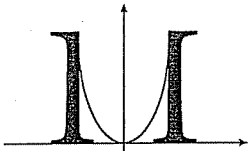


FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

With Report of
INDEPENDENT AUDITORS

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Marin County Transit District

We have audited the accompanying financial statements of the Marin County Transit District as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Marin County Transit District management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the California State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

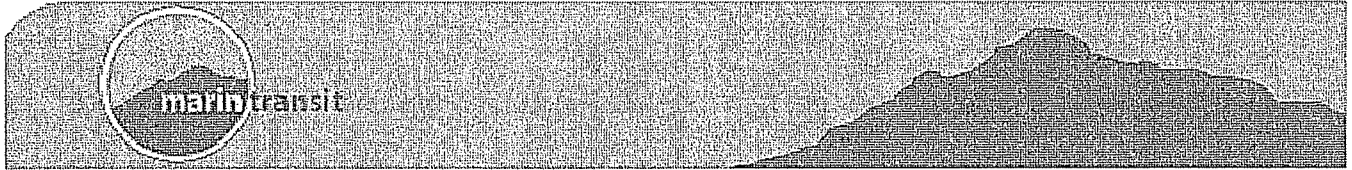
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marin County Transit District as of June 30, 2007, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

The management's discussion and analysis on pages 2 through 6 and supplemental information on pages 22 through 24 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Maher Accountancy

August 20, 2008





MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2007. Please read it along with the District's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

The District's total net assets as of June 30, 2007, were \$2,804,000, which is an increase of \$1,876,000 over the prior year's balance. This amount is comprised of \$394,000 investment in capital net assets and unrestricted fund equity of \$2,410,000.

We received \$8,670,000 from the Transportation Authority of Marin as a result of Measure A.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

In general, the District's financial condition improved during the year ended June 30, 2007, as evidenced by the increase in net assets listed below.

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

	<u>2007</u>	<u>2006</u>	Increase (decrease)
Cash	\$ 4,345,327	\$ 458,316	\$ 3,887,011
Receivables	770,557	1,926,760	(1,156,203)
Capital assets	<u>393,959</u>	<u>645,035</u>	<u>(251,076)</u>
Total assets	5,509,843	3,030,111	2,479,732
Current liabilities	2,293,882	1,351,711	942,171
Noncurrent liabilities	<u>411,500</u>	<u>749,600</u>	<u>(338,100)</u>
Total liabilities	<u>2,705,382</u>	<u>2,101,311</u>	<u>604,071</u>
Invested in capital assets	393,959	645,035	(251,076)
Unrestricted net assets	<u>2,410,502</u>	<u>283,765</u>	<u>2,126,737</u>
Total net assets	<u><u>\$ 2,804,461</u></u>	<u><u>\$ 928,800</u></u>	<u><u>\$ 1,875,661</u></u>

The overall financial position of the District improved as a result of increased funding from the Marin Transit Authority. A federal grant to acquire transit vehicles accrued last year was collected this year, which accounts for most of the decrease in receivables. Annual depreciation accounts for the decrease in capital assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in the District's revenues were as follows:

	<u>2007</u>	<u>2006</u>	<u>Increase (decrease)</u>
Operating revenues:			
Transit fares	\$ 3,538,663	\$ 2,683,941	\$ 854,722
Contractual compensation	1,506,128	861,724	644,404
Advertising and rentals	<u>439,714</u>	<u>416,536</u>	<u>23,178</u>
Total operating revenues	5,484,505	3,962,201	1,522,304
Nonoperating revenues:			
Property taxes	2,906,523	2,680,009	226,514
Intergovernmental	13,832,815	10,001,771	3,831,044
Interest income	37,686		37,686
Marin Community Foundation	<u>-</u>	<u>106,206</u>	<u>(106,206)</u>
Total nonoperating revenue:	<u>16,777,024</u>	<u>12,787,986</u>	<u>3,989,038</u>
Total revenues	<u>\$22,261,529</u>	<u>\$16,750,187</u>	<u>\$ 5,511,342</u>

Fiscal year 2006-07 was the first full year of our contract with Golden Gate Bridge, Highway and Transportation District, which accounted for the increases in the above accounts, except property taxes, which is a function of assessments made by the County of Marin. In fiscal 2005-2006, Marin Community Foundation provided us with a matching grant that did not occur this year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in District's expenses and net assets were as follows:

	<u>2007</u>	<u>2006</u>	Increase (decrease)
Operating expenses			
Purchased transportation services	\$ 18,800,630	\$ 14,435,978	\$ 4,364,652
Vehicle fuel & maintenance	488,414	433,751	54,663
Contract services	-	70,911	(70,911)
Salaries & benefits	468,821	296,390	172,431
General & administrative	340,988	217,574	123,414
Depreciation	251,076	194,796	56,280
Interest expense	35,939	69,230	(33,291)
Total expenses	<u>20,385,868</u>	<u>15,718,629</u>	4,667,239
Revenues	<u>22,261,529</u>	<u>16,750,187</u>	5,511,342
Change in net assets	<u>\$ 1,875,661</u>	<u>\$ 1,031,558</u>	<u>\$ 844,103</u>

Purchased transportation services increased over 2006 because of a substantial increase in rates paid to Golden Gate Bridge, Highway and Transportation District that became effective in late fiscal year 2005-06 and was in effect during the entirety of 2007.

CAPITAL ASSET ADMINISTRATION

As of June 30, 2007, the District owned 14 buses that cost approximately \$693,000 (acquired in June 2002) and 8 buses and 2 transporters that cost approximately \$563,000 (acquired in November 2005). Accumulated depreciation on the buses as of June 30, 2007 was approximately \$838,000.

DEBT ADMINISTRATION

In previous years, we secured three loans from the County. There was a loan of \$500,000 in January 2004, of \$600,000 in July 2004, and \$420,000 in November 2004. As scheduled, we paid \$340,000 of loan principal during 2006-2007. As of June 30, 2007, the outstanding loan principal was \$740,000. The notes to the audited financial statements include information about required future loan payments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE FUTURE OF THE DISTRICT

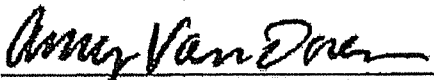
Demand for our services will continue due to a high level of transit dependence among our riders and the increasing number of Marin residents who are eligible for paratransit services. The District projects that the latter will rise by 144% over the next 15 years. In November 2004, Marin County voters approved a one-half percent sales tax increase that provides substantial additional resources to retire debt and carry out the District's mission. Based on a November 2004 agreement with the Golden Gate Bridge, Highway and Transportation District (GGBHTD), they are responsible for planning, funding, and managing all local bus services that begin and end in Marin, with the exception of four additional routes that accrued to the District in May 2006. These routes have given the District responsibility for approximately fifty percent more service hours. The District developed its first short-range plan, approved by the Transit District Board in March 2006. The plan is fiscally constrained for five years, with a ten-year financial outlook. Marin Transit and GGBHTD approved a five year agreement in January 2006, effective May 1, 2006. In January 2008, both agencies approved an addendum to that agreement extending the agreement through June 30, 2017 and lowered the base year cost per hour. Marin Transit has three other contracts, rural West Marin Stagecoach, community shuttles, and paratransit services for those eligible under the Americans with Disabilities Act.

REQUESTS FOR INFORMATION

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

Please address any questions about this report or requests for additional financial information to the address on our letterhead.

Respectfully submitted,



Amy Van Doren
Transit Planning Manager

MARIN COUNTY TRANSIT DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

ASSETS

Current assets:	
Cash and cash equivalents	\$ 4,345,327
Receivables:	
Marin Senior Coordinating Council	72,747
Federal government	254,218
Golden Gate Bridge District	386,263
Property taxes	<u>57,329</u>
Total receivables	<u>770,557</u>
Total current assets	5,115,884
Capital assets, net of accumulated depreciation	<u>393,959</u>
Total assets	<u><u>5,509,843</u></u>

LIABILITIES

Current liabilities:	
Accounts payable	1,931,149
Accrued interest	22,733
Current portion of note payable	<u>340,000</u>
Total current liabilities	2,293,882
Noncurrent liabilities:	
Accrued compensated absences	11,500
Note payable	<u>400,000</u>
Total noncurrent liabilities	<u>411,500</u>
Total liabilities	<u><u>2,705,382</u></u>

NET ASSETS

Fund equity:	
Invested in capital assets	393,959
Unrestricted	<u>2,410,502</u>
Total net assets	<u><u>\$ 2,804,461</u></u>

**MARIN COUNTY TRANSIT DISTRICT
STATEMENT OF REVENUES AND EXPENSES AND
CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2007**

OPERATING REVENUES:

Transit fares	\$3,538,663
Contractual compensation - Golden Gate Bridge District	1,506,128
Advertising and rentals	<u>439,714</u>
 Total operating revenues	 5,484,505

OPERATING EXPENSES:

Purchased transportation services	18,800,630
Vehicle fuel and maintenance	488,414
Salaries and benefits	468,821
General and administrative	340,988
Depreciation	251,076
Interest expense	<u>35,939</u>
 Total operating expense	 <u>20,385,868</u>

Income (loss) from operations (14,901,363)

NONOPERATING REVENUES (EXPENSES):

Property tax revenue	2,906,523
Intergovernmental revenue	13,832,815
Interest income	<u>37,686</u>

Total nonoperating revenues (expenses) 16,777,024

Increase (decrease) in net assets 1,875,661

Net assets (deficit) at beginning of the year 928,800

Net assets at end of the year \$2,804,461

**MARIN COUNTY TRANSIT DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES:

Transit fares	\$ 3,785,531
Contractual compensation - Golden Gate Bridge District	1,859,234
Advertising and rentals	439,714
Purchased transportation services	(17,864,718)
Vehicle fuel and maintenance	(488,414)
Contract services	4,959
Salaries and benefits	(483,388)
General and administrative	(307,988)
Interest expense	<u>(51,172)</u>
Net cash provided by (used for) operating activities	(13,106,242)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Property taxes received	2,902,830
Intergovernmental revenues	14,392,737
Payments of long-term debt	<u>(340,000)</u>
Net cash provided by noncapital financing activities	16,955,567

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	<u>37,686</u>
Net increase (decrease) in cash and cash equivalents	3,887,011
Cash and cash equivalents at beginning of year	<u>458,316</u>
Cash and cash equivalents at end of year	<u><u>\$ 4,345,327</u></u>

**MARIN COUNTY TRANSIT DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007
(continued)**

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

Income (loss) from operations	\$(14,901,363)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation, an expense not requiring the use of cash	251,076
(Increase) decrease in accounts receivable	599,974
Increase (decrease) in accounts payable and other liabilities	<u>944,071</u>
Net cash provided by (used for) operating activities	<u><u>\$(13,106,242)</u></u>

**MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

INTRODUCTION

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

BASIS OF ACCOUNTING

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

The District distinguishes between operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an entity's principal ongoing operation. The principal operating revenues of the District relate to transit activities. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL STATEMENT AMOUNTS

Cash and cash equivalents:

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

Capital and intangible assets:

Capital assets owned by the District are recorded at cost. The cost of normal repairs and maintenance are recorded as expenses. Improvements that add to the value or extend the life of assets are capitalized.

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

Buses	5 years
Bus shelters	15 years
Office equipment	8 years
Computer equipment	5 years

Compensated absences

The District provides vacation and sick leave benefits to its employees. Upon termination of employment, employees are paid for accumulated vacation leave up to 40 days and a portion of sick leave time is counted towards retirement benefits. The District recognizes vacation expense as the benefits are accumulated.

**MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

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

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

Estimates

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

2. CASH

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

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

**MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

2. CASH (continued)

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

INTEREST RATE RISK

In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment pool to 540 days, or 1.5 years. At June 30, 2007, the County's investment pool had a weighted average maturity of 238 days.

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

CREDIT RISK

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

**MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

2. CASH (continued)

CONCENTRATION OF CREDIT RISK

The following is a summary of the concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2007.

Investments in Investment Pool	Percent of Portfolio
U.S. Agency	53%
U.S. Treasury	22%
Local Agency Investment Fund	5%
Money market funds	3%
Certificates of deposits	10%
Commercial paper	7%
	100%

CUSTODIAL CREDIT RISK

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

LOCAL AGENCY INVESTMENT FUND

The County Treasurer's Pool maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisor Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute.

**MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

3. CAPITAL ASSETS

A summary of the District's capital assets for the year ended June 30, 2006, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Bus shelters	\$ 23,899		\$ 23,899
Buses	1,255,381	\$ -	1,255,381
Total cost	1,279,280	-	1,279,280
Less: accumulated depreciation	634,245	251,076	885,321
Net capital assets	<u>\$ 645,035</u>	<u>\$(251,076)</u>	<u>\$ 393,959</u>

4. RETIREMENT PLAN AND DEFERRED COMPENSATION

District personnel are employees of the County of Marin. As such, they participate in the Marin County Employees' Retirement Association (MCERA). Pension information for these employees are included in the County's financial statements. The District reimburses the County for the cost of the employees, including retirement contributions and other benefits.

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

**MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

5. NOTES PAYABLE

The District has the following notes payable outstanding with the County of Marin:

	Balance as of June 30, 2007
Original loan: \$500,000	
Date of loan: January 2004	
Purpose: Operations	
Annual payment: \$100,000 principal and interest at County Treasury fund rate	
First payment due: January 1, 2005	
Maturity: January 1, 2009	\$ 200,000
Original loan: \$600,000	
Date of loan: July 2004	
Purpose: Operations	
Annual payment: \$100,000 principal and interest at County Treasury fund rate	
First payment due: July 1, 2005	
Maturity: July 1, 2010	400,000
Original loan: \$420,000	
Date of loan: November 2004	
Purpose: Operations	
Annual payment: \$140,000 principal and interest at County Treasury fund rate	
First payment due: January 1, 2006	
Maturity: January 1, 2008	<u>140,000</u>
Total notes payable	740,000
Less: amount due within one year	<u>340,000</u>
Noncurrent portion of notes payable	<u><u>\$ 400,000</u></u>

**MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

5. NOTES PAYABLE (continued)

The following is a summary of the District's future annual obligations:

Year ending June 30:	Principal	Interest	Total
2008	\$ 340,000	\$ 49,680	\$ 389,680
2009	200,000	34,040	234,040
2010	100,000	24,840	124,840
2011	100,000	20,240	120,240
	<u>\$ 740,000</u>	<u>\$ 128,800</u>	<u>\$ 868,800</u>

The following is a schedule of changes in notes payable during the year:

Balance as of June 30, 2006	\$ 1,080,000
Principal paid	<u>(340,000)</u>
Balance as of June 30, 2007	<u>\$ 740,000</u>

6. TRANSIT SERVICE AGREEMENTS

The District contracts for three types of transit services; a) intra-county public bus transit, b) intra-county paratransit service, and c) complementary inter-county paratransit service on behalf of Golden Gate Transit. Paratransit consists of demand responsive van services for the disabled, which meets the requirements of the Americans with Disabilities Act and other federal provisions.

In May 2006, the District contracted for transit services with the Golden Gate Bridge, Highway and Transportation District (Golden Gate) for the period May 1, 2006 through June 30, 2011. The total cost of local bus transit service under this contract during the 2006-07 fiscal year was approximately \$13,600,000. Related fare and non-fare revenue earned for the year was approximately \$8,900,000. The contract provides for a 5% annual increase in cost of services.

**MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

6. TRANSIT CONTRACT AGREEMENTS (continued)

INTRA-COUNTY PUBLIC BUS TRANSIT

Since 1971, the District has contracted with Golden Gate to provide local transit services for eleven intra-county public bus routes that begin and end within the county. The District sets the fare structure and rates, and establishes the service levels and the frequency of local transit services.

Under the terms of the contract, 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.

INTER-COUNTY PARATRANSIT SERVICE

The District has contracted with Marin Senior Coordinating Council, Inc. (MSCC) to provide local paratransit services. Under the contract, MSCC provides the paratransit services and collects all the fare revenue and remits it to the District at designated intervals. MSCC bills the District monthly for services on an agreed-upon hourly basis, with a monthly fixed fee.

COMPLEMENTARY INTER-COUNTY PARATRANSIT SERVICE

With the implementation of the Americans with Disabilities Act (ADA), Golden Gate was required to provide complementary inter-county paratransit services. Golden Gate contracted with the District for the District to be the primary public entity responsible for these services. The District, in turn, contracted with MSCC to provide the actual services, with the understanding that the District would be adequately compensated by Golden Gate.

Under these agreements, MSCC provides the complementary paratransit services, and collects all fare revenue and deposits it with the District. MSCC bills the District monthly for services on an agreed-upon hourly basis, with a monthly fixed fee. The District receives reimbursement from Golden Gate for the actual cost of this service.

**MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

7. INTERGOVERNMENTAL REVENUE

This category includes revenues received from other governments.

Federal	\$ 217,252
State	4,945,105
Local	<u>8,670,458</u>
Total intergovernmental revenue	<u><u>\$ 13,832,815</u></u>

8. RISK MANAGEMENT

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

CSAC is a public entity risk pool currently operating as a common risk management and insurance program for counties located throughout California. The purpose of CSAC is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group.

The financial statements of CSAC are available at the District office. Condensed financial information for CSAC is presented below for the year ended June 30, 2007:

Assets	\$ 467,059,716
Liabilities	<u>355,955,579</u>
Net assets	<u><u>\$ 111,104,137</u></u>
Revenues	\$ 339,467,476
Expenses	<u>286,118,817</u>
Increase (decrease) in net assets	<u><u>\$ 53,348,659</u></u>

**MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

9. COMMITMENTS

As of June 30, 2007, in addition to the contract with Golden Gate Transit discussed above, the District was obligated for expenditures during the 2007-08 fiscal year as follows:

<u>Contractor</u>	<u>Purpose</u>	<u>Amount</u>
MV Transportation, Inc.	Stagecoach	\$ 598,421
Marin Airporter	Shuttle	323,534
Wilbur Smith Associates	Consulting	150,000
Creative Bus Sales, Inc	Buses	219,754
		<u>\$ 1,291,709</u>

10. JOINT VENTURE

The District entered into a joint powers agreement, establishing the Marin Emergency Radio Authority (the Authority). The Authority is responsible to acquire, construct, and improve a countywide emergency radio system. During the year ended June 30, 1999, the Authority issued Revenue Bonds to be used for the acquisition of the radio system. Of the \$27 million in Revenue Bonds issued, the District is responsible for 1.18%, or approximately \$319,000. For each year through August 2020, approximately \$25,000 annual payments will be due. Including interest and principal, it is anticipated the District's total obligation over 20 years will be approximately \$492,000.

The financial statements of Authority are available at the County of Marin office. Condensed financial information for the Authority is presented below for the year ended June 30, 2007:

Assets	\$ 30,954,768
Liabilities	<u>25,148,865</u>
Net assets	<u>\$ 5,805,903</u>
Revenues	\$ 4,605,732
Expenses	<u>4,376,981</u>
Increase (decrease) in net assets	<u>\$ 228,751</u>

**MARIN COUNTY TRANSIT DISTRICT
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2007**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Property taxes	\$ 2,731,444	\$2,906,523	\$ 175,079
Interest	1,500	37,686	36,186
Aid-other government agencies	905,800	238,214	(667,586)
Paratransit/Stage fares	292,494	246,241	(46,253)
GGT payment for IC paratransit	811,025	800,270	(10,755)
TDA, STA & fares for fixed route	7,829,920	8,656,279	826,359
GGT local paratransit increase	525,000	525,000	-
GGT fuel	114,185	127,973	13,788
Whistlestop fuel	84,893	52,885	(32,008)
Measure A funds	<u>8,023,598</u>	<u>8,670,458</u>	<u>646,860</u>
Total revenues	21,319,859	22,261,529	941,670
EXPENDITURES			
Salaries and benefits	623,000	468,821	154,179
Services and supplies	19,449,618	18,346,520	1,103,098
County loans	567,271	375,939	191,332
Fixed assets	<u>1,545,191</u>	<u>1,283,512</u>	<u>261,679</u>
Total expenditures	<u>22,185,080</u>	<u>20,474,792</u>	<u>1,710,288</u>
Excess of revenue over expenditures	<u>\$ (865,221)</u>	<u>\$1,786,737</u>	<u>\$ 2,651,958</u>

**MARIN COUNTY TRANSIT DISTRICT
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2007
(Continued)**

**Reconciliation to Statement of Revenues and Expenses
and Changes in Fund Net Assets**

Excess of sources over uses - budgetary basis	\$ 1,786,737
The repayment of long-term debt uses current financial resources but does not decrease net assets	340,000
Depreciation expense	<u>(251,076)</u>
Increase (decrease) in net assets	<u><u>\$ 1,875,661</u></u>

1. BUDGETARY BASIS OF PRESENTATION

The budget included in these financial statements represents the original budget and amendments approved by the Board of Directors. The budgetary basis is the modified accrual basis. Various reclassifications have been made to the actual amounts to conform to classifications included in the budget approved by the Board of Directors.