

MARIN COMMUNITY COLLEGE DISTRICT
Novato, California

FINANCIAL STATEMENTS
June 30, 2012

MARIN COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2012

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MARIN COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2012

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Marin Community College District
Novato, California

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of Marin Community College District (the "District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit opinions.

We were unable to complete the audit of College of Marin Foundation, which is required to be presented as a discretely presented component unit of the Marin Community College District, therefore all financial information for the College of Marin Foundation has been excluded from these audited financial statements.

In our opinion, except for the effect of omitting College of Marin Foundation as a discretely presented component unit, as determined had we been able to complete our audit procedures, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary net assets of Marin Community College District as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 31, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 through 11 and the Required Supplementary Information, such as the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 35, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the California Community Colleges Chancellor's Office's *Contracted District Audit Manual*, and other supplemental information listed in the table of contents are presented for purposes of additional analysis and are 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 financial statements. The other supplemental information listed in the table of contents have been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal Awards and other supplemental information listed in the table of contents are fairly presented, in all material respects, in relation to the financial statements as a whole.



Crowe Horwath LLP

Sacramento, California
January 31, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2012

Governmental Accounting Standards Board (GASB) Statement 34/35

Marin Community College District (the District) is now in its ninth year of complying with and preparing financial reports in accordance with GASB Statements No. 34/35, "*Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*," issued in November 1999. The following discussion and analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2012 and the intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial standing, this analysis should be read in conjunction with the entire Independent Auditor's Report, particularly the District's financial statements beginning on page 12, and the notes to the basic financial statements beginning on page 18.

The California Community College Chancellor's Office, through its Fiscal and Accountability Standards Committee, has recommended the Business Type Activity (BTA) model for financial reporting and the District has adopted the BTA reporting model for these financial statements.

As required, the annual report consists of three basic financial statements that provide information on the District as a whole:

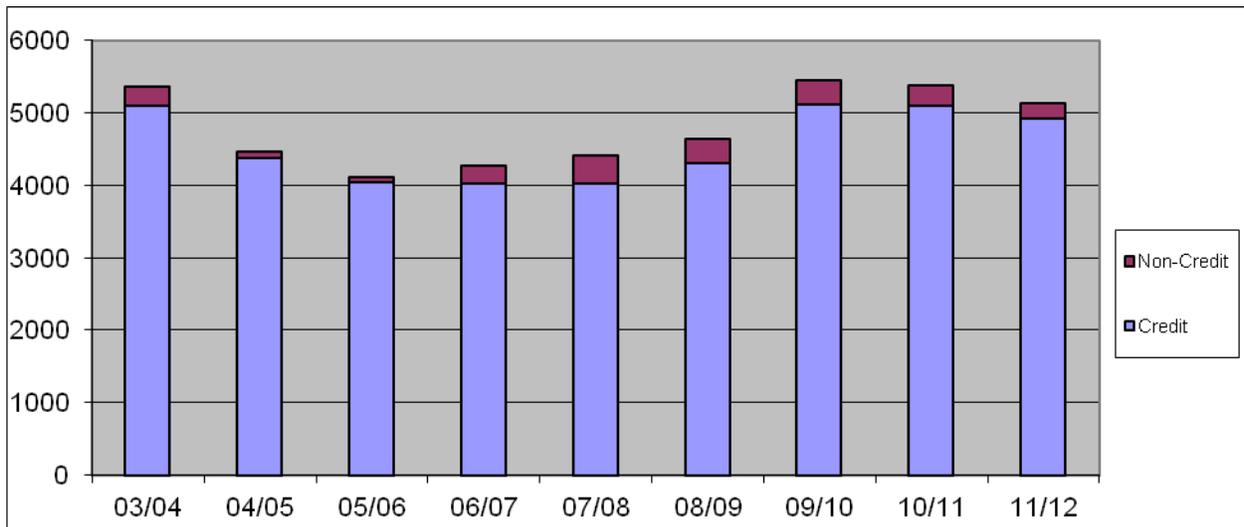
- Statement of Net Assets
- Statement of Revenues, and Expenses and Change in Net Assets
- Statement of Cash Flows

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
Fiscal Year Ending June 30, 2012

Financial Highlights

- Marin County property values appear to be in a slow recovery. The District continues to maintain its “Basic Aid” status because the receipts from local property taxes and enrollment fees exceeded the State’s computational revenues under SB 361 for 2011-12 by about \$10.4 million. SB 361, enacted as part of the 2006 Budget Act, implemented major reforms to improve the equity and transparency of the California Community Colleges funding model. SB 361 further established a funding model that would provide growth funding for credit courses at a uniform rate across the CCC system, thereby ensuring that funding remained equalized in the future. The funding model starts with a college/district’s base allocation but its primary basis for calculating the revenue limit remains the Full-Time Equivalent Students (FTES).
- Fiscal year 2011-12 ended lower than originally budgeted due to lower than anticipated revenues offset by lower spending. Unrestricted revenues were about \$764,000 lower, principally from lower property taxes; expenditures were approximately \$321,000 lower than budgeted primarily due to lower benefits and other operating expenses, resulting in expenditures exceeding revenues by \$994,000. Expenditure savings were primarily attributable to lower than anticipated benefits, election costs, utilities and contract services. The year ended with reserve levels at 11.3%.
- FTES totaled 5,015 representing a 5.6% decrease over the prior fiscal year. This decrease in enrollment is attributable to the increase in enrollment fees from \$26 per unit to \$36 per unit. Several years ago, the District instituted a comprehensive enrollment management program to improve student access, strengthen outreach, expand marketing efforts, and broaden class offerings which contributed to the increased enrollment prior to the recent decline.

FTES Statistics
2003/04 – 2011/12



MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
Fiscal Year Ending June 30, 2012

Financial Highlights (continued)

- Net costs for employee compensation increased about 4.4% compared to the prior year actual expenditures. The increase was primarily attributable to benefit costs increasing about 10.5% driven by increases in medical benefits. Faculty salaries increased by 2.4% attributable primarily to a negotiated salary increase, and step increases. Classified salaries increased 2.3% due to negotiated salary increases, and step increases. Administrators' salaries increased 4.9% due to additional administrators on temporary special assignments, e.g., Student Success Initiatives, etc.
- During Fiscal Year 2005-06, the District allocated \$1 million of its approximately \$6.9 million unfunded liability (fourth Actuarial Study updated September 2010) in an early application under Government Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, and transferred the monies into a separate fund. In fiscal year 2007-08, the District allocated an additional \$500,000 of its unfunded liability and allocated an additional \$500,000 in fiscal year 2009-10, for a total of \$2 million.
- The District provided Financial Aid to over 5,000 qualifying students this year translating to about \$16 million in aid. This aid is provided through grants, loans, and work study from the Federal Government, the State Chancellor's Office and local funding.

Capital Asset and Debt Administration

- On November 2, 2004 the voters of Marin County overwhelmingly passed Measure C, a \$249.5 million bond for facilities maintenance, job training and safety, passing with more than 60 percent of the vote, easily surpassing the required 55 percent. With the bond, the College will be able to modernize science labs, classrooms, and libraries; provide modern computer technology; upgrade fire safety, campus security, disabled access, energy conservation systems and electrical wiring for computer technology; and repair, construct, acquire, and/or equip classrooms, labs, sites and facilities. To that end, the College has retained the services of Swinerton Management & Consulting, Inc. as its Measure C Program Management/Construction Management firm. Swinerton has worked with COM's faculty, staff and students on reviewing facilities assessment documents, and the educational master plan which has formed the basis for the development of the Facilities Development and Master Plan.
- In April 2005, \$75 million in bonds were sold pursuant to the terms of a public sale. An additional \$75 million in bonds were sold in February 2009, and another \$52.5 million in bonds were sold in June 2011. All proceeds were delivered to the Marin County Treasury for credit of College of Marin into its building fund. The balance is expected to be sold in 2012- 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2012

Capital Asset and Debt Administration (continued)

- Major milestones achieved in the District's Capital Improvement and Modernization Program (2011/2012) included:
 - Academic Center (formerly Gateway) design at 80% completion.
 - Science/Math/Nursing construction reached 80% completion.
 - Performing Arts Modernization Project started construction and reached 80% completion.
 - Fine Arts Weatherization at 100% design completion.
 - IVC Utilities Project reached 100% completion.
 - PE Track Renovation project completion.
 - Child Study Center design completion.

- The 2012-13 budget outlines approximately \$39.9 million in facilities renewal and modernization costs, including construction, architectural and civil, geotechnical and MEP engineering services, plus landscape architect, industrial hygienist, CEQA and energy consultants. Two new buildings and two modernization projects have been completed as well as various site improvement projects at both the Kentfield and Indian Valley campuses. Construction and modernization plans outlined for the upcoming fiscal year consist of the completion of the new Science Math & Nursing building, and Performing Arts building, plus the commencement of construction for the Child Study Center and the Academic Center. In addition, swing space activity will begin for the Academic Center and Child Study Center relocations as those projects move from programming and design to construction in the fall of 2012.

- Based on the 2012-13 planned construction and modernization projects of \$39.9 million, the District is planning the sale of another bond issue during 2012-13. The District continues to work closely with the County Treasury, providing cash flows and construction schedules, to optimize investment income.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
Fiscal Year Ending June 30, 2012

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net assets – the difference between assets and liabilities – are one way to measure the financial health of the District. Net assets were reported as “Fund Balance” in our previous reporting model.

	2012	2011	% Change
Current Assets			
Cash and Cash Equivalents	\$ 14,915	\$ 14,477	3.03%
Other Current Assets	2,822	2,614	7.96%
Total Current Assets	<u>17,737</u>	<u>17,091</u>	<u>3.78%</u>
Non-Current Assets			
Restricted Cash and Cash Equivalents	41,584	79,075	-47.41%
Prepaid Expenses	1,653	1,744	-5.22%
Capital Assets, Net of Depreciation	184,556	151,641	21.71%
Total Non-Current Assets	<u>227,793</u>	<u>232,460</u>	<u>-2.01%</u>
Total Assets	<u><u>\$ 245,530</u></u>	<u><u>\$ 249,551</u></u>	<u><u>-1.61%</u></u>
Current Liabilities			
Accounts Payable and Accrued Liabilities	\$ 9,867	\$ 10,749	-8.21%
Deferred Revenues	4,996	4,389	13.83%
Claims Liability	89	82	8.54%
Long-Term Liabilities - Current Portion	2,206	2,760	-20.07%
Total Current Liabilities	<u>17,158</u>	<u>17,980</u>	<u>-4.57%</u>
Non-Current Liabilities			
Long-Term Liabilities	<u>185,590</u>	<u>186,667</u>	<u>-0.58%</u>
Total Liabilities	<u>202,748</u>	<u>204,647</u>	<u>-0.93%</u>
Net Assets			
Invested in Capital Assets	37,037	35,581	4.09%
Restricted for Expendable Purposes		2,813	-100.00%
Unrestricted	5,745	6,510	-11.75%
Total Net Assets	<u>42,782</u>	<u>44,904</u>	<u>-4.73%</u>
Total Liabilities and Net Assets	<u><u>\$ 245,530</u></u>	<u><u>\$ 249,551</u></u>	<u><u>-1.61%</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
Fiscal Year Ending June 30, 2012

Statement of Net Assets (continued)

- The \$0.6 million net increase in "Total Current Assets" is due to increases primarily in general fund unrestricted cash and receivables.
- The net decrease in restricted cash of \$37.5 million relates primarily to the Measure C bond construction spending and repayment of long-term debt obligations.
- The net increase in capital assets of almost \$33 million represents additions to depreciable assets, net of actual depreciation of \$4.7 million for 2011-12. Included in this category are the net values of buildings, land and equipment. The capitalization threshold was established at \$5,000 or higher (original acquisition cost).
- The \$0.9 million net decrease in Accounts Payable and Accrued Liabilities principally relates to a decrease in trade payables resulting from the status of projects in the Measure C bond program.
- A decrease in the current portion of long-term liabilities relates to lower upcoming debt repayments of the underlying bond indenture. Long-term liabilities are relatively flat.
- Net assets, previously reported as "fund balance" under the old reporting model, includes the value of all capital assets (net of accumulated depreciation).
- Restricted and/or reserved amounts include reserves for capital projects and debt service.
- "Unrestricted net assets" reflects the uncommitted balance for all funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
Fiscal Year Ending June 30, 2012

Statement of Revenues, Expenses and Change in Net Assets

The Statement of Revenues, Expenses and Change in Net Assets presents the operating results of the District, as well as the non-operating revenues and expenses.

For the Years Ended June 30, 2012 and 2011
(In Thousands)

	2012	2011	% Change
Operating Revenues			
Tuition and fees	\$ 4,587	\$ 5,467	-16.10%
Grants and contracts	9,448	8,416	12.26%
Total Operating Revenues	14,035	13,883	1.09%
Operating Expense			
Salaries and benefits	44,838	42,955	4.38%
Supplies and maintenance	7,128	6,361	12.06%
Student Financial Aid	13,166	11,955	10.13%
Depreciation	4,712	4,492	4.90%
Total Operating Expenses	69,844	65,763	6.21%
Loss from Operations	(55,809)	(51,880)	7.57%
Nonoperating Revenues and (Expenses)			
State apportionment	766	1,340	-42.84%
Property taxes	39,643	38,743	2.32%
State revenues	994	1,044	-4.79%
Pell grants and direct loans	6,986	6,673	4.69%
Investment income	409	492	-16.87%
Interest expense on capital asset related debt	(6,265)	(6,506)	-3.70%
Other nonoperating revenues	1,227	697	76.04%
Total Nonoperating Revenues	43,760	42,483	3.01%
Other Revenues			
State and local capital income	41	41	0.00%
Property taxes	9,886	7,843	26.05%
Net Increase/(Decrease) in Net Assets	\$ (2,122)	\$ (1,513)	40.25%

- Tuition and enrollment fees increased from \$26 to \$36 per unit. The increase in Grants and contracts is primarily the result of the district receiving higher Federal funding. Higher Federal funding was due to increased financial aid funds.
- As reported in the Statement of Revenues, Expenses and Change in Net Assets on page 13 of this report, the cost of all the District's operational activities this year was \$69.8 million, an increase of approximately 6.2% compared to that of the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
Fiscal Year Ending June 30, 2012

Statement of Revenues, Expenses and Change in Net Assets (continued)

- Expenses for 2011-12 include depreciation of the District's plant and equipment of approximately \$4.7 million.
- About 64% of all operating funds were directed to salary and benefit costs, slightly lower than the previous year.
- Non-operating revenue and expense increased about \$1.3 million primarily due to increased property taxes and other nonoperating revenues.
- General Fund property tax revenues declined slightly from the prior year as a result of the real estate market and lower assessed valuations. The ad valorem taxes collected in the bond redemption fund was \$9.9 million. The ad valorem taxes fluctuate because they are collected based on the need to repay the bond principal.

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This statement also helps users assess the District's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

(In Thousands)

	2012	2011
Cash (used in) provided by:		
Operating activities	\$ (51,638)	\$ (48,262)
Non-capital financing activities	50,351	48,858
Capital and related financing activities	(36,176)	16,695
Investing activities	410	492
Net increase in cash	(37,053)	17,783
Cash – beginning of fiscal year	93,552	75,769
Cash – end of fiscal year	\$ 56,499	\$ 93,552

Operating activities includes tuition and fees, grants, and operating payments. The increase in cash used for operating activities is primarily due to bond modernization program that has been ramping up as well as the new student Direct Loan Program.

- Representing the largest cash in-flow, non-capital financing activities, includes property taxes, enrollment fees, State apportionments, and local revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
Fiscal Year Ending June 30, 2012

Statement of Cash Flows (continued)

- Construction projects and capital debt are reported in capital and related financing activities. Capital related financing activities correlate to bond issuances and redemptions.
- Cash flow is adequate for a small district; the District participates in Marin County Treasurer's Office investment pool to maximize interest earnings on excess cash.

Factors That May Affect the Future

- The State was in the midst of a fiscal crisis. The 2012-13 enacted State budget included a tax measure that passed in November 2012. Passage of the tax measure was favorable for community colleges and helped move toward closing the budget gap. Forecasts for 2013-14 anticipate a more favorable budget than the last few years but not enough to make up for the lack of cost-of-living adjustments and severe categorical cuts that have occurred over the past several years. Despite that, it is a favorable trend in the right direction.
- In 2011-12, student enrollment fees were increased from \$26/unit to \$36/unit which had a negative impact on enrollment. An additional increase from \$36/unit to \$46/unit occurred in Summer 2012 which may continue to have a negative impact on enrollment. It is difficult to assess the impact of these enrollment fee increases for MCCD. The state budget crisis has caused UC's, CSU's and other community colleges to reduce enrollment and class offerings. The decrease in enrollment in 2011-12 at MCCD was caused by reduced summer class offerings and increased enrollment fees. The current economy and high unemployment may also increase enrollment in community colleges as unemployed workers go back to school for training in a new vocation or to upgrade their skills. The increase in enrollment fees may increase BOG waivers provided to students in financial need, which will be an added cost to the district.
- Reserves were budgeted at 6.4% of General Fund Unrestricted expenditures in the 2012-13 Adoption Budget. Reserves are expected to decrease slightly over the next few years as the District is in the process of overcoming a structural deficit. The District will again strive to align reserve levels in accordance with Board goals to increase reserve levels to 17%.

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS

Current assets:	
Cash and investments (Note 2)	\$ 14,914,870
Receivables (Note 3)	2,637,773
Prepaid expenses	<u>184,066</u>
Total current assets	<u>17,736,709</u>
Noncurrent assets:	
Restricted cash and investments (Note 2)	41,583,601
Debt issuance costs, net (Note 6)	1,653,538
Non-depreciable capital assets (Note 4)	76,685,747
Depreciable capital assets, net (Note 4)	<u>107,870,042</u>
Total noncurrent assets	<u>227,792,928</u>
Total assets	<u>\$ 245,529,637</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 9,867,178
Deferred revenue (Note 5)	4,996,081
Claims liability (Note 8)	88,909
Compensated absences payable - current portion (Note 6)	127,499
Premium on General Obligation Bonds (Note 6)	253,390
Long-term debt - current portion (Note 6)	<u>1,825,000</u>
Total current liabilities	<u>17,158,057</u>
Noncurrent liabilities:	
Compensated absences payable - noncurrent portion (Note 6)	1,043,671
Premium on General Obligation Bonds (Note 6)	4,315,405
Long-term debt - noncurrent portion (Note 6)	<u>180,230,533</u>
Total noncurrent liabilities	<u>185,589,609</u>
Total liabilities	<u>202,747,666</u>

Commitments and contingencies (Note 11)

NET ASSETS

Invested in capital assets, net of related debt	37,036,988
Unrestricted	<u>5,744,983</u>
Total net assets	<u>42,781,971</u>
Total liabilities and net assets	<u>\$ 245,529,637</u>

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

For the Year Ended June 30, 2012

Operating revenues:	
Tuition and fees	\$ 6,560,766
Less: Scholarship discounts and allowances	<u>(1,973,423)</u>
Net tuition and fees	<u>4,587,343</u>
Grants and contracts, non-capital:	
Federal	6,426,142
State	<u>3,021,689</u>
Total operating revenues	<u>14,035,174</u>
Operating expenses (Note 13):	
Salaries and benefits (Notes 8, 9 and 10)	44,837,860
Supplies, materials, and other operating expenses and services	6,769,728
Equipment, maintenance and repairs	357,851
Student financial aid	13,165,774
Depreciation (Note 4)	<u>4,712,638</u>
Total operating expenses	<u>69,843,851</u>
Loss from operations	<u>(55,808,677)</u>
Non-operating revenues (expenses):	
State apportionment, non-capital	765,594
Local property taxes (Note 7)	39,642,631
State taxes and other revenues	993,806
Pell grants	6,986,164
Investment income, noncapital	409,521
Interest expense on capital asset-related debt, net	(6,264,572)
Other non-operating revenues	<u>1,226,560</u>
Total non-operating revenues (expenses)	<u>43,759,704</u>
Loss before capital revenues	<u>(12,048,973)</u>
Capital revenues:	
Grants and gifts, capital	40,800
Property taxes (Note 7)	<u>9,885,742</u>
Total capital revenues	<u>9,926,542</u>
Change in net assets	(2,122,431)
Net assets, July 1, 2011	<u>44,904,402</u>
Net assets, June 30, 2012	<u>\$ 42,781,971</u>

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2012

Cash flows from operating activities:	
Tuition and fees	\$ 4,696,416
Federal grants and contracts	6,177,555
State and local grants and contracts	3,004,965
Local grants and contracts	(60,719)
Payments to employees	(44,826,020)
Payments to students, suppliers and vendors	<u>(20,630,238)</u>
Net cash used in operating activities	<u>(51,638,041)</u>
Cash flows from noncapital financing activities:	
State appropriations	765,594
Local property taxes	39,642,631
State taxes and other revenues	1,235,225
Other local revenues	1,721,062
Pell grants	<u>6,986,164</u>
Net cash provided by noncapital financing activities	<u>50,350,676</u>
Cash flows from capital and related financing activities:	
Local revenue for capital purposes	40,800
Local property taxes, capital purposes	9,885,742
Principal paid on capital debt	(1,505,000)
Purchase of capital assets	(36,575,881)
Premium on capital debt	(253,390)
Issuance costs on capital debt	90,397
Interest paid on capital debt, net	<u>(7,858,391)</u>
Net cash used in capital and related financing activities	<u>(36,175,723)</u>
Cash flows provided by investing activities:	
Interest income	<u>409,521</u>
Net decrease in cash and investments	(37,053,567)
Cash and investments, beginning of year	<u>93,552,038</u>
Cash and investments, end of year	<u>\$ 56,498,471</u>

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2012

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (55,808,677)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	4,712,638
Changes in assets and liabilities:	
Receivables, net	(371,380)
Prepaid expenses	(120,233)
Accounts payable	(331,889)
Deferred revenue	154,423
Compensated absences	13,091
Other postemployment benefits	<u>113,986</u>
Net cash used in operating activities	<u>\$ (51,638,041)</u>
Noncash capital and related financing activities:	
Additions to capital assets - decrease in accounts payable	\$ (1,293,029)
Additions to capital assets - capitalized interest	2,344,091
Amortization of bond issuance costs	(90,397)
Amortization of premiums on capital debt	<u>253,390</u>
Total noncash capital and related financing activities	<u>\$ 162,993</u>

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012

	Associated Students of Marin College	Investment Trust Fund
ASSETS		
Cash and investments (Note 2)	\$ 406,395	\$ 904,707
Receivables	<u>57,369</u>	<u>2,906</u>
Total assets	<u>463,764</u>	<u>907,613</u>
LIABILITIES		
Accounts payable	2,232	716
Amount held for others	<u>461,532</u>	<u>-</u>
Total liabilities	<u>463,764</u>	<u>716</u>
NET ASSETS		
Net assets	<u>\$ -</u>	<u>\$ 906,897</u>

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
For the Year Ended June 30, 2012

	Investment Trust Fund
Revenues:	
Contributions and grants	\$ 36,679
Interest income	2,156
Other local sources	<u>3,000</u>
Total revenues	41,835
Expenditures:	
Capital outlay	<u>104,286</u>
Deficiency of revenues under expenditures	(62,451)
Net assets, July 1, 2011	<u>969,348</u>
Net assets, June 30, 2012	<u><u>\$ 906,897</u></u>

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Marin Community College District (the "District") is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Codification Section (Cod. Sec.) 2100.101. The District is classified as a state instrumentality under Internal Revenue Code Section 115 and is therefore exempt from federal taxes.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Under this model, the District's financial statements provide a comprehensive entity-wide perspective look at the District's financial position and activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenditures are recorded when the obligation has been incurred. All significant intra-agency transactions have been eliminated.

Fiduciary funds for which the District acts only as an agent are not included in the business-type activities of the District. These funds are reported in the Statement of Fiduciary Net Assets and the Statement of Change in Fiduciary Net Assets at the fund financial statement level.

The District records revenues when earned and expenses when a liability is incurred regardless of the timing of the related cash flow. The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office's *Budget and Accounting Manual*.

The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after that date.

Cash and Cash Equivalents

For the purposes of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the Marin County Treasury are considered cash equivalents.

Restricted Cash, Cash Equivalents and Investments

Cash that is externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, is classified as non current assets in the statement of net assets.

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Investments

The District records its investment in Marin County Treasury at fair value. Changes in fair value are reported as revenue in the Statement of Revenues, Expenses and Change in Net Assets. The fair value of investments, including the Marin County Treasury external investment pool, at June 30, 2012 approximated their carrying value.

Receivables

Receivables consist of tuition and fee charges to students. Receivables also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District maintains an allowance for doubtful accounts at an amount which management considers sufficient to fully reserve and provide for the possible uncollectibility of other receivable balances.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. For equipment, the District's capitalization policy included all items with a unit cost of \$5,000 or higher, and estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 - 50 years depending on asset type.

The District capitalizes interest paid on obligations related to the acquisition, construction or rehabilitation of District capital assets. Interest capitalized totaled \$2,344,091 during the year ended June 30, 2012.

Compensated Absences

Compensated absence costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year end as liabilities of the District.

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRS and PERS employees, when the employee retires.

Deferred Revenue

Revenue from federal, state and local special projects and programs is recognized when qualified expenditures have been incurred. Other funds, including tuition and student fees, received but not earned are recorded as deferred revenue until earned.

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The District's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the District's total investment in capital assets, net of associated outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component invested in capital assets, net of related debt.

Restricted net assets: Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, State apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District typically first applies the expense toward restricted resources, then to unrestricted resources. This practice ensures fully utilizing restricted funding each fiscal year.

Risk Management

As more fully described in Note 8, the District is partially self-insured with regard to dental and vision claims and certain other risks. The amount of the outstanding liability at June 30, 2012 for dental and vision claims includes estimates of future claim payments for known cases as well as provisions for incurred but not reported claims and adverse development on known cases which occurred through that date. Outstanding claims which are expected to become due and payable within the subsequent fiscal year are reflected as a claims liability on the District's Statement of Net Assets.

State Apportionments

Certain current year apportionments from the state are based on various financial and statistical information of the previous year. Any prior year corrections due to the recalculation will be recorded in the year completed by the state.

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On Behalf Payments

GASB Cod. Sec. N50 requires that direct on-behalf payments for benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits of the State Teachers on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments. These payments consist of state general fund contributions to CalSTRS in the amount of \$350,960 (2.017% of salaries subject to CalSTRS).

Classification of Revenue

The District has classified its revenues as either operating or nonoperating revenues. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. C05.101 including State appropriations, local property taxes, Pell grants and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, and (2) most Federal, State and local grants and contracts and Federal appropriations.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources described in GASB Cod. Sec. C05.101, such as State appropriations, Pell grants and investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses and change in net assets. Scholarship discounts and allowances represent the difference between stated charges for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, and other federal, state and nongovernmental programs, are recorded as operating revenues, while Federal Pell Grants are classified as non-operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions 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 expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

2. CASH AND INVESTMENTS

District cash and investments at June 30, 2012, consisted of the following:

	<u>District</u>	<u>Agency Funds</u>	<u>Trust Fund</u>
Pooled Funds:			
Cash in County Treasury	\$ 55,026,073	\$ -	\$ 904,707
Deposits:			
Cash on hand and in banks	1,238,960	406,395	-
Revolving fund	20,000	-	-
Cash held by Fiscal Agent	<u>213,438</u>	<u>-</u>	<u>-</u>
Total cash and investments	<u>56,498,471</u>	<u>406,395</u>	<u>904,707</u>
Less: restricted cash and investments:			
Cash held in County Treasury	(41,370,163)	-	-
Cash held by Fiscal Agent	<u>(213,438)</u>	<u>-</u>	<u>-</u>
Total restricted cash and investments	<u>(41,583,601)</u>	<u>-</u>	<u>-</u>
Net cash and investments	<u>\$ 14,914,870</u>	<u>\$ 406,395</u>	<u>\$ 904,707</u>

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Marin County Treasury. The County pools and invests the cash. Those pooled funds are carried at fair value, which approximates cost.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial risk classifications is required.

The District's deposits in the fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The Marin County Treasurer has indicated that there are no derivatives in the pool as of June 30, 2012.

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2. CASH AND INVESTMENTS (Continued)

Restricted Cash

Restricted Cash of \$41,583,601 represents amounts held in the District's name with third party custodians for future construction projects and repayment of long-term liabilities.

Custodial Credit Risk

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The fair value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District. All cash held by financial institutions is entirely insured or collateralized.

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, interest-bearing cash balances held in banks are insured up to \$250,000 and noninterest-bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2012, the carrying amount of the District's accounts was \$1,665,355 and the bank balance was \$1,917,191. \$483,701 of the bank balance was FDIC insured and \$1,433,490 remained uninsured.

Credit Risk

Under provision of the District's policies and in accordance with Sections 53601 and 53602 of the California Government code, the District may invest in the following types of investments:

- Local agency bonds, notes or warrants within the state
- Securities of the U.S. Government or its agencies
- Certificates of Deposit with commercial banks
- Commercial paper
- Repurchase Agreements

Interest Rate Risk

The District's investment policies do not limit cash and investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. At June 30, 2012, the District had no significant interest rate risk related to cash and investments held.

Concentration of Credit Risk

The District do not place limits on the amount they may invest in any one issuer. At June 30, 2012, the District had no concentration of credit risk.

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3. RECEIVABLES

Receivables at June 30, 2012 are summarized as follows:

Federal	\$ 527,955
State	168,637
Local and other	<u>1,941,181</u>
	<u><u>\$ 2,637,773</u></u>

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2011	Additions	Deductions	Transfers	Balance June 30, 2012
Non-depreciable:					
Land	\$ 3,119,170	\$ -	\$ -	\$ -	\$ 3,119,170
Construction in progress	39,137,098	34,486,814	-	(57,335)	73,566,577
Depreciable:					
Land improvements	24,024,430	1,423,717	-	57,335	25,505,482
Building improvements	105,699,699	1,231,348	-	-	106,931,047
Machinery and equipment	<u>12,861,786</u>	<u>485,064</u>	<u>-</u>	<u>-</u>	<u>13,346,850</u>
Total	<u>184,842,183</u>	<u>37,626,943</u>	<u>-</u>	<u>-</u>	<u>222,469,126</u>
Less accumulated depreciation:					
Land improvements	3,417,845	976,374	-	-	4,394,219
Building improvements	21,937,538	2,192,616	-	-	24,130,154
Machinery and equipment	<u>7,845,316</u>	<u>1,543,648</u>	<u>-</u>	<u>-</u>	<u>9,388,964</u>
Total	<u>33,200,699</u>	<u>4,712,638</u>	<u>-</u>	<u>-</u>	<u>37,913,337</u>
Capital assets, net	<u><u>\$ 151,641,484</u></u>	<u><u>\$ 32,914,305</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 184,555,789</u></u>

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5. DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

Deferred Federal and State revenue	\$ 874,247
Deferred tuition and student fees	1,276,949
Deferred local revenue	<u>2,844,885</u>
Total deferred revenue	<u>\$ 4,996,081</u>

6. LONG-TERM LIABILITIES

General Obligation Bonds

In April 2005, the District issued Series A, 2004 General Obligation Bonds aggregating \$75,000,000. The bonds mature through August 2029 and bear interest at rates ranging from 3% to 5%. The proceeds from the issuance will be used to finance the acquisition, construction and modernization of certain District property and facilities. Resulting from the bond issuance, the District received a premium of \$3,015,265 and paid issuance costs of \$559,158. The premium and issuance costs are amortized over the life of the bond repayment. At June 30, 2012, the District has unamortized premiums and issuance costs of \$2,135,814 and \$396,072, respectively.

The annual payments required to amortize the Series A, 2004 General Obligation Bonds outstanding as of June 30, 2012, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 860,000	\$ 2,691,738	\$ 3,551,738
2014	850,000	2,648,988	3,498,988
2015	1,135,000	2,599,363	3,734,363
2016	1,345,000	2,537,363	3,882,363
2017	1,565,000	2,464,613	4,029,613
2018-2022	11,790,000	10,858,275	22,648,275
2023-2027	20,425,000	6,971,206	27,396,206
2028-2030	<u>17,825,000</u>	<u>1,309,563</u>	<u>19,134,563</u>
	<u>\$ 55,795,000</u>	<u>\$ 32,081,109</u>	<u>\$ 87,876,109</u>

In March 2009, the District issued Series B, 2004 General Obligation Bonds aggregating \$75,000,000. The bonds mature through August 2038 and bear interest at rates ranging from 3% to 5%. The proceeds from the issuance will be used to finance the acquisition, construction and modernization of certain District property and facilities. Resulting from the bond issuance, the District received a premium of \$1,982,513 and paid issuance costs of \$1,180,240. The premium and issuance costs are amortized over the life of the bond repayment. At June 30, 2012, the District has unamortized premiums and issuance costs of \$1,699,298 and \$984,170, respectively.

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the Series B, 2004 General Obligation Bonds outstanding as of June 30, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 5,000	\$ 3,374,913	\$ 3,379,913
2014	830,000	3,362,388	4,192,388
2015	915,000	3,336,213	4,251,213
2016	1,000,000	3,307,488	4,307,488
2017	1,090,000	3,276,138	4,366,138
2018-2022	7,005,000	15,593,863	22,598,863
2023-2027	10,405,000	13,529,063	23,934,063
2028-2032	15,635,000	10,342,981	25,977,981
2033-2037	22,405,000	5,732,350	28,137,350
2038-2039	<u>11,360,000</u>	<u>578,000</u>	<u>11,938,000</u>
	<u>\$ 70,650,000</u>	<u>\$ 62,433,397</u>	<u>\$ 133,083,397</u>

In May 2011, the District issued Series C, 2004 General Obligation Bonds aggregating \$52,505,000. The bonds mature through August 2034 and bear interest at rates ranging from 3% to 5%. The proceeds from the issuance will be used to finance the acquisition, construction and modernization of certain District property and facilities. Resulting from the bond issuance, the District received a premium of \$767,032 and paid issuance costs of \$285,719. The premium and issuance costs are amortized over the life of the bond repayment. At June 30, 2012, the District has unamortized premiums and issuance costs of \$733,683 and \$273,296, respectively.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 900,000	\$ 2,408,913	\$ 3,308,913
2014	115,000	2,393,688	2,508,688
2015	210,000	2,387,763	2,597,763
2016	85,000	2,381,863	2,466,863
2017	35,000	2,379,463	2,414,463
2018-2022	1,315,000	11,814,988	13,129,988
2023-2027	4,860,000	11,145,194	16,005,194
2028-2032	15,030,000	9,522,769	24,552,769
2033-2035	<u>29,955,000</u>	<u>2,221,694</u>	<u>32,176,694</u>
	<u>\$ 52,505,000</u>	<u>\$ 46,656,335</u>	<u>\$ 99,161,335</u>

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6. LONG-TERM LIABILITIES (Continued)

Lease Revenue Bonds

In June 2003, the District issued \$3,070,834 of Lease Revenue Bonds with effective interest rates ranging from 2.0% to 4.25% and maturing through May 2033. The bond proceeds are being used to fund various capital improvement projects throughout the District.

The annual payments required to amortize the Lease Revenue Bonds outstanding as of June 30, 2012, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 60,000	\$ 33,158	\$ 93,158
2014	65,000	31,133	96,133
2015	75,000	28,858	103,858
2016	85,000	26,139	111,139
2017	95,000	22,951	117,951
2018-2022	647,655	329,988	977,643
2023-2027	846,672	1,682,067	2,528,739
2028-2032	776,961	2,199,563	2,976,524
2033	<u>149,546</u>	<u>515,455</u>	<u>665,001</u>
	<u>\$ 2,800,834</u>	<u>\$ 4,869,312</u>	<u>\$ 7,670,146</u>

Total Long-Term Debt

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,825,000	\$ 8,508,722	\$ 10,333,722
2014	1,860,000	8,436,197	10,296,197
2015	2,335,000	8,352,197	10,687,197
2016	2,515,000	8,252,853	10,767,853
2017	2,785,000	8,143,165	10,928,165
2018-2022	20,757,655	38,597,114	59,354,769
2023-2027	36,536,672	33,327,530	69,864,202
2028-2032	49,266,961	23,374,876	72,641,837
2033-2037	52,509,546	8,469,499	60,979,045
2038-2039	<u>11,360,000</u>	<u>578,000</u>	<u>11,938,000</u>
	<u>\$181,750,834</u>	<u>\$146,040,153</u>	<u>\$327,790,987</u>

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6. LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2012 is as follows:

	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2012</u>	Amounts Due Within <u>One Year</u>
General Obligation Bonds	\$ 180,400,000	\$ -	\$ 1,450,000	\$ 178,950,000	\$ 1,765,000
Lease Revenue Bonds	2,855,834	-	55,000	2,800,834	60,000
Bond Premium	4,822,185	-	253,390	4,568,795	253,390
Compensated Absences	1,158,079	13,091	-	1,171,170	127,499
Other Postemployment Benefits (Note 11)	<u>190,713</u>	<u>876,308</u>	<u>762,322</u>	<u>304,699</u>	<u>-</u>
	<u>\$ 189,426,811</u>	<u>\$ 889,399</u>	<u>\$ 2,520,712</u>	<u>\$ 187,795,498</u>	<u>\$ 2,205,889</u>

7. PROPERTY TAXES

All property taxes are levied and collected by the Tax Assessor of the County of Marin and paid upon collection to the various taxing entities including the District. Secured taxes are levied on July 1 and are due in two installments on November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date for secured and unsecured property taxes is March 1 of the preceding fiscal year.

8. RISK MANAGEMENT

The District administers dental and vision insurance programs on behalf of the District's eligible employees on a cost-reimbursement basis. The District records an estimated liability for dental and vision claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience. A formal actuarial study has not been performed, however, the District calculated the estimated amount based on historical experience.

The dental and vision claims reserve activity for the years ended June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Liability balance, beginning of year	\$ 81,754	\$ 83,015
Claims and changes in estimates	669,722	667,192
Claims payments	<u>(662,567)</u>	<u>(668,453)</u>
Liability balance, end of year	<u>\$ 88,909</u>	<u>\$ 81,754</u>

MARIN COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System, and classified employees are members of the Public Employees' Retirement System.

State Teachers' Retirement System (STRS)

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy

Active members of the DB Plan are required to contribute 8.0% of their salary while the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-2012 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of 4% with the sum of the District and employee contribution always being equal or greater than 8%.

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,442,859, \$1,395,441 and \$1,458,640, respectively, and equals 100% of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees' Retirement System (CalPERS)

Plan Descriptions

The District contributes to the School Employer Pool under California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the district is required to contribute an actuarially determined rate. The required employer contribution rate for fiscal year 2011-2012 was 10.923% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2011 and 2010 were \$1,185,845, \$1,260,206 and \$1,134,695, respectively, and equaled 100 percent of the required contributions for each year.

10. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9, the District provides post-retirement health care benefits to employees hired prior to 1988 and who retire from the District and meet the specific eligibility requirements set forth in their prospective employment contracts. The District pays medical and dental insurance premiums to maintain the level of coverage enjoyed by the retiree immediately preceding retirement up until the age of 70 or death of the retiree.

MARIN COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 866,772
Interest on net OPEB obligation	9,536
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	876,308
Contributions made	<u>(762,322)</u>
Increase in net OPEB obligation	113,986
Net OPEB obligation - beginning of year	<u>190,713</u>
Net OPEB obligation - end of year	<u><u>\$ 304,699</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2012 and the preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 892,398	91.6%	\$ 99,177
June 30, 2011	\$ 871,731	89.5%	\$ 190,713
June 30, 2012	\$ 876,308	87.0%	\$ 304,699

As of September 1, 2010, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$6,604,857, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,604,857. The covered payroll (annual payroll of active employees covered by the Plan) was \$3,966,918, and the ratio of the UAAL to the covered payroll was 166 percent. The OPEB plan is currently operated as a pay-as-you-go-plan.

MARIN COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 1, 2010, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates include a 3 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012, was 27 years.

11. COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

There are various claims and legal actions pending against the District for which no provision has been made in the general purpose financial statements. In the opinion of the District, any liabilities arising from these claims and legal actions are not considered significant.

The District has received Federal and State funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect.

Construction Commitments

As of June 30, 2012, the District has approximately \$12,031,808 in outstanding commitments on construction contracts.

MARIN COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

12. JOINT POWERS AGREEMENTS

Marin Community College District participates in Joint Power Agreements (JPAs), with Northern California Community College Self Insurance Authority (NCCCSIA), Schools Excess Liability Fund (SELF), Marin Schools Insurance Authority (MSIA) and Statewide Association of Community Colleges (SWACC). The relationship between Marin Community College District and the JPAs is such that the JPAs are not component units of Marin Community College District for financial reporting purposes.

The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including the selection of management and approval of operating budgets, independent of any influence by the member district beyond their representation on the governing board. NCCCSIA, SELF and SWACC provide property and liability insurance for its members. MSIA provides workers' compensation insurance for its members. Marin Community College District pays a premium commensurate with the level of coverage requested.

Member districts share surpluses and deficits proportionate to their participation in the JPAs. The JPAs are independently accountable for their fiscal matters and maintain their own accounting records. Budgets are not subject to any approval other than that of the governing board.

Condensed financial information of the JPAs for the most current year for which audited information is available, is as follows:

	<u>NCCCSIA</u> <u>June 30, 2011</u>	<u>SELF</u> <u>June 30, 2011</u>	<u>MSIA</u> <u>June 30, 2012</u>	<u>SWACC</u> <u>June 30, 2011</u>
Total assets	\$ 5,782,214	\$ 171,510,000	\$ 22,212,830	\$ 45,222,215
Total liabilities	\$ 1,603,183	\$ 132,654,000	\$ 17,581,238	\$ 21,819,352
Net assets	\$ 4,179,031	\$ 38,856,000	\$ 4,631,592	\$ 23,402,863
Total revenues	\$ 8,078,258	\$ 18,011,000	\$ 8,839,552	\$ 11,051,395
Total expenses	\$ 8,130,329	\$ 12,405,000	\$ 13,398,359	\$ 12,249,899
Change in net assets	\$ (52,071)	\$ 5,606,000	\$ (4,558,807)	\$ (1,198,504)

MARIN COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

13. OPERATING EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2012.

<u>Functional Classifications</u>	<u>Salaries and Benefits</u>	<u>Supplies, Materials and Other Operating Expenses and Services</u>	<u>Equipment, Maintenance and Repairs</u>	<u>Student Financial Aid</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 23,005,866	\$ 543,272	\$ 29,655	\$ -	\$ -	\$ 23,578,793
Academic Support	4,096,635	219,865	85,225	-	-	4,401,725
Student Services	5,265,886	354,167	16,102	-	-	5,636,155
Operations and Maintenance of Plant	2,882,369	1,903,447	45,086	-	-	4,830,902
Institution Support	6,888,519	2,823,646	154,892	-	-	9,867,057
Community Support	2,005,961	785,172	6,989	-	-	2,798,122
Ancillary Services	692,624	140,159	19,902	-	-	852,685
Student Aid	-	-	-	13,165,774	-	13,165,774
Depreciation	-	-	-	-	\$ 4,712,638	4,712,638
	<u>\$ 44,837,860</u>	<u>\$ 6,769,728</u>	<u>\$ 357,851</u>	<u>\$ 13,165,774</u>	<u>\$ 4,712,638</u>	<u>\$ 69,843,851</u>

14. SUBSEQUENT EVENTS

General Obligation Bonds

On November 15, 2012, the District issued \$46,995,000 of 2004 General Obligation Series D and \$44,380,000 of 2012 General Obligation Refunding Bonds.

The 2004 General Obligation Bond, Series D, are scheduled to mature on August 1, 2036, with an interest rate ranging between 3.00% and 3.25%. The Bonds were issued to (i) finance the acquisition, construction and modernization of certain District equipment, property and facilities and (ii) pay the costs of issuing the Series D Bonds. The Bonds represents general obligations to the District, payable from *ad valorem* property taxes.

The 2012 General Obligation Refunding Bonds, are scheduled to mature on August 1, 2028, with an interest rate ranging from 2.50% to 4.00%. The Bonds were issued by the District to (i) advance refund a portion of the District's outstanding Election 2004 General Obligation Bonds, Series A and (ii) pay the cost of issuing the Refunding Bonds.

SERP Liability

In December 2012, the District provided the option of a Supplemental Employee Retirement Plan ("SERP") to the District employees. As of December 2012, there were 12 employees in the Plan. Employees under the SERP will receive monthly annuity benefits. The District is obligated to pay annual installments for the calculated benefits for employees under the SERP and for the administration of the plan.

REQUIRED SUPPLEMENTARY INFORMATION

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2012

Schedule of Funding Progress							
Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2009	September 1, 2008	\$ -	\$ 7,312,141	\$ 7,312,141	0%	\$ 7,412,365	99%
6/30/2010	September 1, 2008	\$ -	\$ 7,312,141	\$ 7,312,141	0%	\$ 5,974,919	122%
6/30/2011	September 1, 2010	\$ -	\$ 6,604,857	\$ 6,604,857	0%	\$ 4,058,179	163%
6/30/2012	September 1, 2010	\$ -	\$ 6,604,857	\$ 6,604,857	0%	\$ 3,966,918	166%

See accompanying notes to required supplementary information.

MARIN COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULE

A - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

SUPPLEMENTARY INFORMATION

MARIN COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2012

Marin Community College District was established in 1926, and is comprised of two campuses, Kentfield and Indian Valley. There were no changes in the boundaries of the District during the current year.

The Governing Board and District Administration for the fiscal year ended June 30, 2012 were composed of the following members:

BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Diana Conti	President	2013
Eva Long, Ph.D.	Vice President	2015
James Namnath, Ph.D.	Clerk	2015
Philip Kranenburg	Trustee	2015
Stephanie O'Brien	Trustee	2015
Barbara Dolan	Trustee	2013
Wanden Treanor	Trustee	2013
Raemond Bergstrom-Wood	Student Trustee	2012

DISTRICT ADMINISTRATION

David Wain Coon Ed.D.
Superintendent/President

Mr. Albert J. Harrison, II
Vice President, College Operations

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>		
Direct Programs:		
Student Financial Aid Cluster:		
Federal Supplementary Educational Opportunity Program (FSEOG)	84.007	\$ 165,650
Federal College Work Study (FWS)	84.033	266,777
Federal Direct Loan Program	84.268	5,729,061
Federal Pell Grants (PELL)	84.063	<u>6,986,164</u>
Subtotal Financial Aid Cluster		<u>13,147,652</u>
Passed through California Community College Chancellor's Office:		
Vocational and Applied Technology Educational Act - Title IC	84.048	124,147
Vocational and Applied Technology Educational Act - Title II - Tech Prep	84.048	46,970
Passed through California Department of Education:		
Early Childhood Mentor Program	84.405A	<u>3,228</u>
Total U.S. Department of Education		<u>13,321,997</u>
<u>U.S. Department of Health and Human Services</u>		
Passed through California Community College Chancellor's Office:		
Temporary Assistant to Needy Families (TANF)	93.558	14,864
Passed through California Department of Education:		
Child Development Training Consortium	93.575	11,353
Foster Care Education	93.658	<u>32,495</u>
Total U.S. Department of Health and Human Services		<u>58,712</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>		
Child Care Food Program	10.558	<u>31,597</u>
Total Federal Programs		<u>\$ 13,412,306</u>

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS
For the Year Ended June 30, 2012

	<u>Program Entitlements</u>			<u>Program Revenues</u>			<u>Program Expenditures</u>	
	<u>Prior Year Carry-forward</u>	<u>Current Entitlement</u>	<u>Total Entitlement</u>	<u>Cash Received</u>	<u>Accounts Receivable</u>	<u>Deferred Revenue/Accounts Payable</u>		<u>Total</u>
Administrative 2% Enrollment Fee Waivers	\$ -	\$ 22,800	\$ 22,800	\$ 22,800	\$ -	\$ -	\$ 22,800	\$ 22,800
Nursing Enrollment Growth	-	146,687	146,687	123,217	23,470	84,514	62,173	62,173
Basic Skills overcap FY 10	159,698	-	159,698	159,698	-	42,366	117,332	117,332
Basic Skills overcap FY 12	-	90,000	90,000	90,000	-	90,000	-	-
BFAP Administrative	-	221,042	221,042	221,042	-	-	221,042	221,042
Cal Grants	(4,248)	226,309	222,061	219,929	2,132	-	222,061	222,061
CalWORKs	1,994	120,765	122,759	122,759	-	1,678	121,081	121,081
CARE	859	37,254	38,113	38,113	-	-	38,113	38,113
Child Care Food Program - Preschool	-	1,302	1,302	1,302	-	-	1,302	1,302
Child Development Bailout Tax	-	75,862	75,862	75,862	-	-	75,862	75,862
Industry Driven Regional Collaborative	-	141,431	141,431	84,859	56,572	-	141,431	141,431
Child Development - State Preschool	-	161,203	161,203	161,203	-	-	161,203	161,203
DSPS	991	701,125	702,116	702,116	-	-	702,116	702,116
EOPS	3,650	366,540	370,190	370,190	-	-	370,190	370,190
Faculty/Staff Development	11,325	-	11,325	11,325	-	11,325	-	-
Faculty/Staff Diversity	2,953	4,497	7,450	7,450	-	78	7,372	7,372
Foster Care Education	-	39,716	39,716	17,326	22,390	-	39,716	39,716
Hazardous Substance	34,238	-	34,238	34,238	-	25,135	9,103	9,103
Instructional Equipment & Library Materials	590	-	590	590	-	590	-	-
Lottery - Proposition 20	190,585	167,560	358,145	294,072	64,073	283,279	74,866	74,866
Matriculation - Credit	10,431	174,756	185,187	185,187	-	-	185,187	185,187
Matriculation - Noncredit	-	62,526	62,526	62,526	-	-	62,526	62,526
Nursing Capacity	100,815	-	100,815	100,815	-	-	100,815	100,815
Peace Officers Training	3,284	2,456	5,740	5,740	-	2,478	3,262	3,262
Scheduled Maintenance and Repair	200,000	-	200,000	200,000	-	200,000	-	-
TANF	-	14,864	14,864	14,864	-	-	14,864	14,864
Transfers & Articulation	1,178	-	1,178	1,178	-	80	1,098	1,098
OTF Scheduled Maintenance	101,117	-	101,117	101,117	-	101,117	-	-
Total State Programs	\$ 819,460	\$ 2,778,695	\$ 3,598,155	\$ 3,429,518	\$ 168,637	\$ 842,640	\$ 2,755,515	\$ 2,755,515

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR
STATE GENERAL APPORTIONMENT

Annual Attendance as of June 30, 2012

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2011 only)			
1. Noncredit	-	-	-
2. Credit	-	-	-
B. Summer Intersession (Summer 2012 - Prior to July 1, 2012)			
1. Noncredit	19	-	19
2. Credit	221	-	221
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	3,830	-	3,830
b. Daily Census Contact Hours	293	-	293
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	216	-	216
b. Credit	186	-	186
3. Alternative Attendance Accounting Procedure			
a. Weekly Census Procedure Courses	242	-	242
b. Daily Census Procedure Courses	8	-	8
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
D. Total FTES	<u>5,015</u>	<u>-</u>	<u>5,015</u>
Supplementary Information:			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	227	-	227
b. Credit	500	-	500
<u>CCFS 320 Addendum</u>			
CDCP	-	-	-
Centers FTES			
a. Noncredit	11	-	11
b. Credit	776	-	776

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
(CCFS-311) WITH AUDITED BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

There were no adjustments proposed to any funds of the District.

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION

For the Year Ended June 30, 2012

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional salaries:							
Contract or regular	1100	\$ 7,338,705	\$ -	\$ 7,338,705	\$ 7,338,705	\$ -	\$ 7,338,705
Other	1300	<u>7,584,401</u>	<u>-</u>	<u>7,584,401</u>	<u>7,584,401</u>	<u>-</u>	<u>7,584,401</u>
Total instructional salaries		<u>14,923,106</u>	<u>-</u>	<u>14,923,106</u>	<u>14,923,106</u>	<u>-</u>	<u>14,923,106</u>
Non-instructional salaries:							
Contract or regular	1200	-	-	-	3,157,683	-	3,157,683
Other	1400	<u>-</u>	<u>-</u>	<u>-</u>	<u>760,110</u>	<u>-</u>	<u>760,110</u>
Total non-instructional salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>3,917,793</u>	<u>-</u>	<u>3,917,793</u>
Total academic salaries		<u>14,923,106</u>	<u>-</u>	<u>14,923,106</u>	<u>18,840,899</u>	<u>-</u>	<u>18,840,899</u>
<u>Classified Salaries</u>							
Non-instructional salaries:							
Regular status	2100	-	-	-	7,459,427	-	7,459,427
Other	2300	<u>-</u>	<u>-</u>	<u>-</u>	<u>466,439</u>	<u>-</u>	<u>466,439</u>
Total non-instructional salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>7,925,866</u>	<u>-</u>	<u>7,925,866</u>
Instructional aides:							
Regular status	2200	971,743	-	971,743	971,743	-	971,743
Other	2400	<u>142,543</u>	<u>-</u>	<u>142,543</u>	<u>142,543</u>	<u>-</u>	<u>142,543</u>
Total instructional aides		<u>1,114,286</u>	<u>-</u>	<u>1,114,286</u>	<u>1,114,286</u>	<u>-</u>	<u>1,114,286</u>
Total classified salaries		<u>1,114,286</u>	<u>-</u>	<u>1,114,286</u>	<u>9,040,152</u>	<u>-</u>	<u>9,040,152</u>
Employee benefits	3000	4,981,141	-	4,981,141	10,553,873	-	10,553,873
Supplies and materials	4000	-	-	-	406,619	-	406,619
Other operating expenses	5000	-	-	-	3,733,122	-	3,733,122
Equipment replacement	6420	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures prior to exclusions		<u>\$ 21,018,533</u>	<u>\$ -</u>	<u>\$ 21,018,533</u>	<u>\$ 42,574,665</u>	<u>\$ -</u>	<u>\$ 42,574,665</u>

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION

(Continued)

For the Year Ended June 30, 2012

Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799			
	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data	
<u>Exclusions</u>							
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	\$ 369,844	\$ -	\$ 369,844	\$ 369,844	\$ -	\$ 369,844
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	-	-	-
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	392,478	-	392,478
Objects to exclude:							
Rents and leases	5060	-	-	-	2,128	-	2,128
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
Supplies and materials:	4000						
Software	4100	-	-	-	-	-	-
Books, magazines and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	-	-	-
Noninstructional supplies and materials	4400	-	-	-	-	-	-
Total supplies and materials		-	-	-	-	-	-
Other operating expenses and services	5000	-	-	-	649,268	-	649,268
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	62,686	-	62,686
Equipment:	6400						
Equipment - additional	6410	-	-	-	247,331	-	247,331
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	310,017	-	310,017
Total capital outlay		-	-	-	310,017	-	310,017
Other outgo	7000	-	-	-	-	-	-
Total exclusions		\$ 369,844	\$ -	\$ 369,844	\$ 1,723,735	\$ -	\$ 1,723,735
Total for ECS 84362, 50% Law		\$ 20,648,689	\$ -	\$ 20,648,689	\$ 40,850,930	\$ -	\$ 40,850,930
Percent of CEE (instructional salary cost /Total CEE)		50.55%	-	50.55%	100.00%	-	100.00%
50% of current expense of education		\$ -	\$ -	\$ -	\$ 20,425,465	\$ -	\$ 20,425,465

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B - Schedule of State Financial Awards

The accompanying Schedule of State Financial Awards includes State grant activity of the District and is presented on the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's System's Office.

C - Schedule of Workload Measures for State General Apportionment

Full-time equivalent students is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

D - Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Basic Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the CCFS-311 to the audited basic financial statements.

E - Reconciliation of ECS 84362 (50 Percent Law) Calculation

This schedule provides the information necessary to reconcile the 50 Percent Law Calculation reported on the CCFS-311 to the audited data.

INDEPENDENT AUDITORS' REPORT
ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
Marin Community College District
Novato, California

We have audited the compliance of Marin Community College District with the types of compliance requirements described in Section 400 of the *California State Chancellor's Office's California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2012. Compliance with the requirements of state laws and regulations is the responsibility of Marin Community College District's management. Our responsibility is to express an opinion on Marin Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Marin Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination of Marin Community College District's compliance with those requirements.

In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the *Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM)*:

- Salaries of Classroom Instructors (50 Percent Law)
- Apportionment for Instructional Service Agreements/Contracts
- State General Apportionment Funding System
- Residency Determination for Credit Courses
- Students Actively Enrolled
- Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Gann Limit Calculation
- California Work Opportunity and Responsibility to Kids (CalWORKs)
- Open Enrollment
- Student Fees-Instructional Materials and Other Materials
- Student Fees-Health Fees and Use of Fee Funds
- Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Disabled Student Programs and Services (DSPS)
- Curriculum and Instruction
- To Be Arranged Hours (TBA)

In our opinion, Marin Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2012. However, we identified a deficiency in compliance that we consider to be immaterial as described in the Schedule of Audit Findings and Questioned Costs as Finding 2012-01.

Marin Community College District's response to the finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's response and, accordingly, do not express an opinion on it.

This report is intended solely for the information and use of District management, the Board of Trustees, the California Community Colleges Chancellor's Office, and the Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Sacramento, California
January 31, 2013

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Trustees
Marin Community College District
Novato, California

We have audited the business-type activities of Marin Community College District as of and for the year ended June 30, 2012, and have issued our report thereon dated January 31, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We were unable to complete the audit of College of Marin Foundation, which is required to be presented as a discretely presented component unit of the Marin Community College District, and our report dated January 31, 2013 has been qualified for the omission of this information.

Internal Control Over Financial Reporting

Management of Marin Community College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Marin Community College District'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 Marin Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marin Community College District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended for the information of the Board of Trustees, District management, and the Federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
January 31, 2013

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

Board of Trustees
Marin Community College District
Novato, California

Compliance

We have audited Marin Community College District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Marin Community College District's major Federal programs for the year ended June 30, 2012. Marin Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Marin Community College District's management. Our responsibility is to express an opinion on Marin Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits obtained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marin Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marin Community College District's compliance with those requirements.

In our opinion, Marin Community College District complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of Marin Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Marin Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marin Community College 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, or detected and corrected, on a timely basis.

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

The purpose of this report is solely to describe the scope of our testing over compliance and internal controls over compliance with the requirements that could have a direct and material effect on each major program and the results of that testing, and not to provide a legal determination of compliance with those requirements or an opinion on the effectiveness of internal control over compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Sacramento, California
January 31, 2013

FINDINGS AND RECOMMENDATIONS

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84,268, 84.063	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes _____ No

STATE AWARDS

Type of auditors' report issued on compliance for state programs: Unqualified

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2012

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2012-01 STATE COMPLIANCE - DISABLED STUDENT PROGRAMS AND SERVICES

Criteria

Title 5 Section 50006 states:

(a) In order to be eligible for support services or instruction authorized under this subchapter, a student with a disability must have an impairment which is verified pursuant to subdivision (b) which results in an educational limitation identified pursuant to subdivision (c) of this section.

(b) The existence of an impairment may be verified, using procedures prescribed by the Chancellor, by one of the following means:

- (1) observation by DSPS professional staff with review by the DSPS coordinator;
- (2) assessment by appropriate DSPS professional staff; or
- (3) review of documentation provided by appropriate agencies or certified or licensed professionals outside of DSPS.

(c) The student's educational limitations must be identified by appropriate DSPS professional staff and described in the Student Educational Contract (SEC) required pursuant to Section 56022. Eligibility for each service provided must be directly related to an educational limitation consistent with Section 56000(b) and Section 56004.

Condition

One student file of 40 tested did not have verification of disability.

Effect

The District is not in compliance with State requirements.

Cause

The District did not evidence of proper verification for the student file selected.

Fiscal Impact

Not determinable.

Recommendation

The District should put in place a process to flag and review incomplete student files to ensure that all student files for students reported have the required documents.

Corrective Action Plan

To insure that all files are complete, meaning they contain a signed student contract and verification of the disability, the DSPS office has set up new processes. Specifically, all new student files will be reviewed by trained staff at the end of each semester, prior to submission of MIS data. Any file that is incomplete will be updated with the student's signature and appropriate verification of a disability.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

MARIN COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2012

Findings	Recommendations	Current Status	District Explanation If Not Fully Implemented
2011-01	The District should implement a formal policy to ensure records are appropriately updated and signed by DSPTS personnel as well as the student as evidence of consent.	Implemented.	
<p>The DSPTS program did not formally document updated Student Education Contracts for fourteen student files tested, resulting in an error rate of 56 percent. Based on a population of 868 students served in 2010-2011, the extrapolated error is approximately 480 students.</p> <p>The District should implement a formal policy to ensure records are appropriately updated and signed by DSPTS personnel as well as the student as evidence of consent.</p>			
2011-02	The District should review course scheduling to ensure courses are appropriately scheduled. Additionally, the District should implement controls to test a sample of the system's calculation of contact hours to ensure system reports are accurate.	Implemented.	
<p>We noted the following issue in the 2010-11 attendance calculations.</p> <p>Two daily contact hour courses selected were scheduled to meet for less than 5 days.</p> <p>The District should review course scheduling to ensure courses are appropriately scheduled. Additionally, the District should implement controls to test a sample of the system's calculation of contact hours to ensure system reports are accurate.</p>			