MARIN COMMUNITY COLLEGE DISTRICT
Novato, California

FINANCIAL STATEMENTS
June 30, 2013

MARIN COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2013

TABLE OF CONTENTS

MARIN COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2013

TABLE OF CONTENTS
(Continued)

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Marin Community College District
Novato, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of Marin Community College District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Marin Community College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of Marin Community College District, as of June 30, 2013, and the change in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in March 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application being encouraged. The District has implemented this Statement retroactively for the year ended June 30, 2013 resulting in restated net position at July 1, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in limiting the use of the term deferred in financial statement presentations. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 12 and the Required Supplementary Information, such as the Schedule of Other Postemployment Benefits (OPEB) Fund Progress on page 41 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marin Community College District's 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 other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2013 on our consideration of Marin Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marin Community College District's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 3, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2013

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, 2013 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 13, and the notes to the basic financial statements beginning on page 19.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
Fiscal Year Ending June 30, 2013

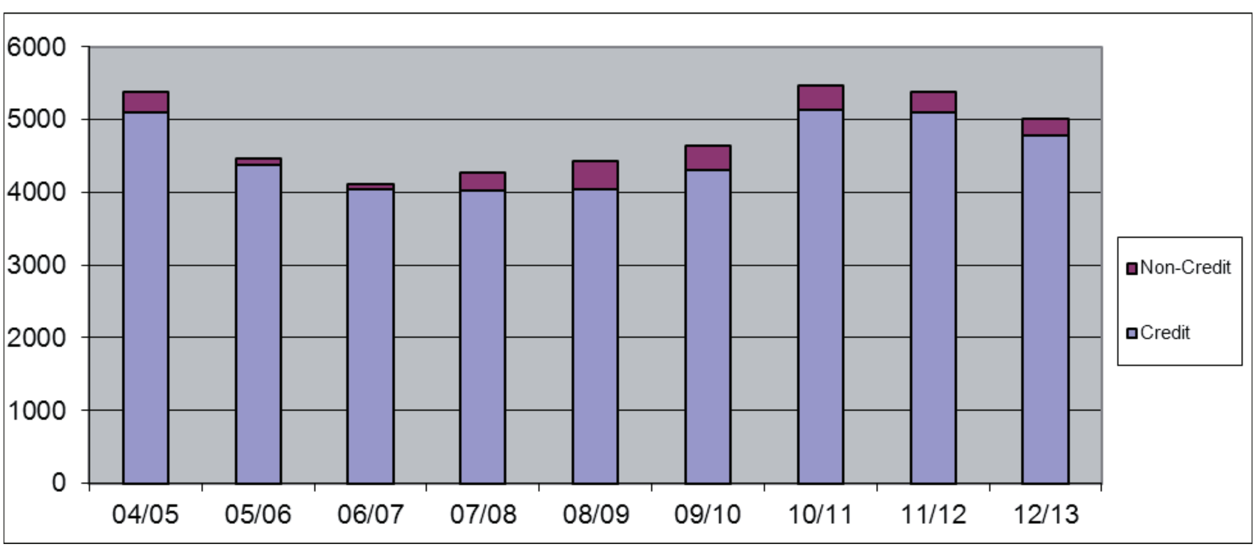
Financial Highlights

- 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 2012-13 by about $13.3 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 2012-13 ended higher than originally budgeted due to higher than anticipated revenues offset by lower spending. Unrestricted revenues were about $548,000 higher, principally from additional state revenue as a result of Proposition 30 and higher enrollment fees, partially offset by lower property taxes and local revenue. Unrestricted expenditures were approximately $518,000 lower than budget primarily due to lower benefit costs than anticipated. The year ended with reserve levels at 8.5%.

- FTES totaled 4,696 representing a 6.4% decrease over the prior fiscal year. This decrease in enrollment is attributable to the increase in enrollment fees from $36 per unit to $46 per unit and a slight contraction of course and section offerings. 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
2004/05 – 2012/13



Financial Highlights (continued)

- Net costs for employee compensation increased about 0.9% compared to the prior year actual expenditures. The slight increase was primarily attributable to benefit costs increasing about 4.8% driven by increases in medical benefits, offset by a reduction in salaries. Faculty salaries decreased by 4.3% attributable primarily to a Supplemental Employee Retirement Plan offered by the District. Classified salaries increased 6.2% due to new positions and step increases. Administrators' salaries decreased 0.6% due to vacancies.

- The District's Board of Trustees elected early application of Government Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions. The Board further directed funding the obligation in advance rather than on the prior "pay as you go" basis. Between Fiscal Years 2005-06 and 2009-10, the District pre-funded the obligation transferring $2,000,000 out of the General Fund into the Retiree Unfunded Medical Benefits Liability Fund. This pre-funding accumulated interest earnings in the amount of $164,078. In June 2013, the District established an irrevocable OPEB trust fund with CalPERS, formally named the California Employers' Retiree Benefit Trust (CERBT) fund, and transferred the $2,164,078 fund balance from the previous Retiree Unfunded Medical Benefits Liability Fund to the new irrevocable OPEB Trust fund.

- The District provided Financial Aid to over 4,500 qualifying students this year translating to about $18.3 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 has been 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. The College retained the services of Swinerton Management & Consulting, Inc. as its Measure C program and construction management provider through the end of 2012. Beginning January 1, 2013, the College retained Jacobs Project Management Co. to assume the role of program and construction management and to continue to work with the District's faculty, staff and students to implement the Measure C work in accordance with the Facilities Development and Master Plan.

Capital Asset and Debt Administration (continued)

- In April 2005, $75.0 million in bonds were sold pursuant to the terms of a public sale. An additional $75.0 million in bonds were sold in February 2009, and another $52.505 million in bonds were sold in June 2011. In December 2012, the balance of the bonds, $46.995 million were sold. All proceeds were delivered to the Marin County Treasury for credit of College of Marin into its Building Fund.

- In December 2012, the District took advantage of low interest rates and refunded previously-issued general obligation bonds. In this bond refunding, the District deposited refunding bond proceeds of $44.380 million and related net premium of $7.445 million delivered to the Marin County Treasury for credit into the District's Measure C Bond Redemption Fund. In addition, the District placed $51.4 million into a refunded bond escrow trust account to pay for the refunded bonds. The refunding bond transaction incurred $236.5 thousand underwriting costs and $189.2 thousand issuance costs. In total, this bond refinancing transaction represents a net present value savings to the taxpayers of $6.36 million over the life of the bonds.

- Major milestones achieved in the District's Capital Improvement and Modernization Program (2012/13) included:
  - Academic Center (formerly Gateway) design at 100% completion.
  - Leed certified Science Math and Nursing building completion.
  - Performing Arts Modernization Project completion.
  - Fine Arts Weatherization at 100% design completion.
  - IVC Utilities Project reached 100% completion.
  - PE Track Renovation project completion.
  - Child Study Center completion.

- The 2013-14 budget outlines approximately $36.8 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. Construction and modernization plans outlined for the upcoming fiscal year include the start of construction on the new Academic Center building, accessibility projects, infrastructure, weatherization and technology projects.

Statement of Net Position

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

(In Thousands)

	2013	2012	% Change
Current Assets			
Cash and Cash Equivalents	$ 12,692	$ 14,915	-14.90%
Other Current Assets	2,950	2,822	4.54%
Total Current Assets	15,642	17,737	-11.81%
Non-Current Assets			
Restricted Cash and Cash Equivalents	58,428	41,584	40.51%
Prepaid Expenses	-	1,653	100.00%
OPEB Asset	1,846	-	n/a
Capital Assets, Net of Depreciation	210,037	184,556	13.81%
Total Non-Current Assets	270,311	227,793	18.67%
Deferred Outflow			
Loss on Debt Refunding	4,831	-	n/a
Total Assets and Deferred Outflow	**$ 290,784**	**$ 245,530**	**18.43%**
Current Liabilities			
Accounts Payable and Accrued Liabilities	$ 8,476	$ 9,867	-14.10%
Unearned Revenues	5,582	4,996	11.73%
Claims Liability	99	89	11.24%
Long-Term Liabilities - Current Portion	4,420	2,206	100.36%
Total Current Liabilities	18,577	17,158	8.27%
Non-Current Liabilities			
Long-Term Liabilities	235,455	185,590	26.87%
Total Liabilities	254,032	202,748	25.29%
Net Position			
Net investment in capital assets	31,501	37,037	-14.95%
Unrestricted	5,251	5,745	-8.60%
Total Net Position	36,752	42,782	-14.09%
Total Liabilities and Net Position	**$ 290,784**	**$ 245,530**	**18.43%**

Statement of Net Position (continued)

- The $2.1 million net decrease in "Total Current Assets" is due to decreases primarily in general fund unrestricted cash.

- The net increase in restricted cash of $16.8 million relates primarily to the Measure C bond issue, construction spending and repayment of long-term debt obligations.

- The net increase in capital assets of almost $25.5 million represents additions to depreciable assets, net of actual depreciation of $5.0 million for 2012-13. 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 $1.4 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.

- An increase in the current portion of long-term liabilities relates to higher upcoming debt repayments of the underlying bond indenture, and other liabilities.

- Long-term liabilities increased $49.9 million primarily from the bond issue and refunding.

- Net Position, previously reported as "Net Assets" under the old reporting model, includes the value of all capital assets (net of accumulated depreciation).

- "Unrestricted" net position reflects the uncommitted balance for all funds.

Statement of Revenues, Expenses and Change in Net Position

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

(In Thousands)	2013	2012	% Change
Operating Revenues			
Tuition and fees	$ 4,770	$ 4,587	3.99%
Grants and contracts	9,322	9,448	-1.33%
Total Operating Revenues	14,092	14,035	0.41%
Operating Expenses			
Salaries and benefits	45,235	44,838	0.89%
Supplies and maintenance	9,577	7,128	34.36%
Student Financial Aid	12,102	13,166	-8.08%
Depreciation	5,040	4,712	6.96%
Total Operating Expenses	71,954	69,844	2.58%
Loss from Operations	(57,862)	(55,809)	3.02%
Non-operating Revenues (Expenses)			
State apportionment	189	766	-75.33%
Property taxes	40,619	39,643	2.46%
State revenues	819	994	-17.61%
Pell grants and direct loans	6,671	6,986	-4.51%
Investment income	69	409	-83.13%
Interest expense on capital asset related debt	(6,118)	(6,265)	-2.35%
Other nonoperating revenues	966	1,227	-21.27%
Total Non-operating Revenues	43,215	43,760	-1.25%
Capital Revenues			
State and local capital income	23	41	-43.90%
Property taxes	10,248	9,886	3.65%
Change in Net Position	**(4,376)**	**(2,122)**	**106.22%**

- Tuition and enrollment fees increased from $36 to $46 per unit.
- As reported in the Statement of Revenues, Expenses and Change in Net Position on page 14 of this report, the cost of all the District's operational activities this year was $71.9 million, an increase of approximately 2.6% compared to that of the prior year.

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

- Expenses for 2012-13 include depreciation of the District's plant and equipment of approximately $5.0 million.

- About 63% of all operating funds were directed to salary and benefit costs, slightly lower than the previous year.

- Non-operating revenue and expense decreased about $0.5 million primarily due to an increase in property taxes offset by lower state apportionment, state revenues, Pell, investment income and other nonoperating revenues.

- General Fund property tax revenues was slightly higher than the prior year as a result of the improved real estate market. The ad valorem taxes collected in the bond redemption fund was $10.2 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)	2013	2012
Cash (used in) provided by:		
Operating activities	$ (53,060)	$ (51,638)
Non-capital financing activities	49,609	50,351
Capital and related financing activities	18,004	(36,176)
Investing activities	68	410
Net increase (decrease) in cash	14,621	(37,053)
Cash – beginning of fiscal year	56,499	93,552
Cash – end of fiscal year	$ 71,120	$ 56,499

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 student Direct Loan Program.

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

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 have contributed toward the continued decline in enrollment. 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 2012-13 at the District was caused by reduced class offerings and increased enrollment fees. The current economy and slight reductions in unemployment may decrease enrollment in community colleges as unemployed workers who came back to school for training in a new vocation or to upgrade their skills leave to seek employment.
- Reserves were budgeted at 6.5% of General Fund Unrestricted expenditures in the 2013-14 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 POSITION

June 30, 2013

ASSETS	
Current assets:	
Cash and investments (Note 2)	$ 12,692,008
Receivables, net (Note 3)	2,559,988
Prepaid expenses	390,342
Total current assets	15,642,338
Noncurrent assets:	
Restricted cash and investments (Note 2)	58,428,086
OPEB asset (Note 10)	1,845,971
Non-depreciable capital assets (Note 4)	10,986,558
Depreciable capital assets, net (Note 4)	199,050,549
Total noncurrent assets	270,311,164
Total assets	285,953,502
DEFERRED OUTFLOW	
Loss on debt refunding (Note 1 and 6)	4,830,534
Total assets and deferred outflow	$ 290,784,036
LIABILITIES	
Current liabilities:	
Accounts payable	$ 8,476,293
Unearned revenue (Note 5)	5,581,714
Claims liability (Note 8)	98,800
Compensated absences payable - current portion (Note 6)	343,475
Premium on General Obligation Bonds (Note 6)	631,842
Long-term debt - current portion (Note 6)	3,444,921
Total current liabilities	18,577,045
Noncurrent liabilities:	
Compensated absences payable - noncurrent portion (Note 6)	806,477
Premium on General Obligation Bonds (Note 6)	9,867,340
Long-term debt - noncurrent portion (Note 6)	224,780,942
Total noncurrent liabilities	235,454,759
Total liabilities	254,031,804
Commitments and contingencies (Note 11)	
NET POSITION	
Net investment in capital assets	31,501,394
Unrestricted	5,250,838
Total net position	36,752,232
Total liabilities and net position	$ 290,784,036

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

For the Year Ended June 30, 2013

Operating revenues:	
Tuition and fees	$ 7,301,760
Less: Scholarship discounts and allowances	(2,531,231)
Net tuition and fees	4,770,529
Grants and contracts, non-capital:	
Federal	5,673,120
State	3,648,384
Total operating revenues	14,092,033
Operating expenses (Note 13):	
Salaries and benefits (Notes 8, 9 and 10)	45,234,462
Supplies, materials, and other operating expenses and services	9,342,564
Equipment, maintenance and repairs	234,891
Student financial aid	12,102,049
Depreciation (Note 4)	5,039,738
Total operating expenses	71,953,704
Loss from operations	(57,861,671)
Non-operating revenues (expenses):	
State apportionment, non-capital	189,074
Local property taxes (Note 7)	40,618,625
State taxes and other revenues	819,096
Pell grants	6,671,286
Investment income, noncapital	68,554
Interest expense on capital asset-related debt, net	(6,117,536)
Other non-operating revenues	966,160
Total non-operating revenues (expenses)	43,215,259
Loss before capital revenues	(14,646,412)
Capital revenues:	
Grants and gifts, capital	22,611
Property taxes (Note 7)	10,247,600
Total capital revenues	10,270,211
Change in net position	(4,376,201)
Net position, July 1, 2012, as previously stated	42,781,971
Cumulative effect of change in accounting principle	(1,653,538)
Net position, July 1, 2012, as restated	41,128,433
Net position, June 30, 2013	$ 36,752,232

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2013

Cash flows from operating activities:	
Tuition and fees	$ 4,622,509
Federal grants and contracts	5,817,840
State and local grants and contracts	3,717,209
Local grants and contracts	182,481
Payments to employees	(45,450,669)
Payments to students, suppliers and vendors	(21,949,690)
Net cash used in operating activities	(53,060,320)
Cash flows from noncapital financing activities:	
State appropriations	189,074
Local property taxes	40,618,625
State taxes and other revenues	630,113
Other local revenues	1,500,210
Pell grants	6,671,286
Net cash provided by noncapital financing activities	49,609,308
Cash flows from capital and related financing activities:	
Local revenue for capital purposes	22,611
Local property taxes, capital purposes	10,247,600
Proceeds from capital debt	47,070,370
Principal paid on capital debt	(1,830,025)
Purchase of capital assets	(32,651,680)
Premium on capital debt	1,932,115
Issuance costs on capital debt	(344,534)
Interest paid on capital debt, net	(6,442,376)
Net cash provided by capital and related financing activities	18,004,081
Cash flows provided by investing activities:	
Interest income	68,554
Net increase in cash and investments	14,621,623
Cash and investments, beginning of year	56,498,471
Cash and investments, end of year	$ 71,120,094

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2013

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (57,861,671)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	5,039,738
Changes in assets and liabilities:	
Receivables, net	410,675
Prepaid expenses	(206,276)
Accounts payable	45,800
Unearned revenue	(162,669)
Compensated absences	(21,218)
Other postemployment benefits	(304,699)
Net cash used in operating activities	$ (53,060,320)
Noncash capital and related financing activities:	
Additions to capital assets - decrease in accounts payable	$ (2,042,458)
Proceeds from issuance of refunding debt	51,825,473
Refunding debt - amount deposited with escrow agent	(51,399,708)
Refunding debt - bond issuance cost	(425,765)
Amortization of premiums on capital debt	(1,916,748)
Total noncash capital and related financing activities	$ (3,959,206)

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	Agency Fund	Trust Funds	
	Associated Students of Marin College	OPEB Trust	Investment Trust Fund
ASSETS			
Cash and investments (Note 2)	$ 474,471	$ 2,167,491	$ 1,131,569
Receivables	5,543	-	10,365
Total assets	480,014	2,167,491	1,141,934
LIABILITIES			
Accounts payable	116,736	-	88,653
Amount held for others	363,278	-	-
Total liabilities	480,014	-	88,653
NET POSITION			
Restricted	$ -	$ 2,167,491	$ 1,053,281

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2013

	OPEB Trust	Investment Trust Fund
Revenues:		
Contributions and grants	$ 2,164,078	$ 249,789
Interest income	3,439	1,184
Other local sources	-	3,000
Total revenues	2,167,517	253,973
Expenditures:		
Capital outlay	-	107,589
Administrative fees	26	-
Total expenses	26	107,589
Change in net position	2,167,491	146,384
Net position, July 1, 2012	-	906,897
Net position, June 30, 2013	$ 2,167,491	$ 1,053,281

See accompanying notes to 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 Position and the Statement of Change in Fiduciary Net Position 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.*

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 position.

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 Position. The fair value of investments, including the Marin County Treasury external investment pool, at June 30, 2013 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 $2,487,763 during the year ended June 30, 2013.

Deferred Outflow

In November 2012, the District refunded General Obligation Bonds. As a result of the defeasance of debt, the difference between the reacquisition price and the net carry amount of old debt is deferred and amortized as a component of interest expense. At June 30, 3013, the accounting loss as a result of the refunding totaled $4,830,534.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

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.

Unearned 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 unearned revenue until earned.

Net Position

The District's net position are classified as follows:

Net investment in capital assets: 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 of net investment in capital assets.

Restricted net position: Restricted expendable net position 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 position 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 position: Unrestricted net position 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, 2013 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 Position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 $867,808 (5.041 of salaries subject to CalSTRS).

Classification of Revenues and Expenses

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 and expenses: 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. All expenses are considered operating expenses except for interest expense on capital related debt.

Nonoperating revenues and expenses: 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. Interest expense on capital related debt is the only nonoperating expense.

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 position. 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.

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.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus. The Statement improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board Statements and Interpretations; (2) Accounting Principles Board Opinions; and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of GASB Statement No. 34, Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In March, 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application being encouraged. Based on the implementation of Statement No. 65 the District's July 1, 2012 beginning net position was restated by $1,653,538 because debt issuance costs are no longer capitalized.

In March 2012, the GASB issued Statement No. 66, Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, Districts should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application encouraged. Management has not determined what impact, if any, this GASB statement will have on the District's financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2012, the GASB issued Statement No. 67, Financial Reporting for Pension Plans. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This Statement is effective for the District's financial period ending June 30, 2014. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's financial period ending June 30, 2015. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

2. CASH AND INVESTMENTS

District cash and investments at June 30, 2013, consisted of the following:

	District	Agency Funds	Trust Funds
Pooled Funds:			
Cash in County Treasury	$ 68,941,819	$ -	$ 1,131,569
Deposits:			
Cash on hand and in banks	1,944,837	474,471	-
Revolving fund	20,000	-	-
Cash held by Fiscal Agent	213,438	-	-
Cash held by Fiscal Agent - PERS	-	-	2,167,491
Total cash and investments	71,120,094	474,471	3,299,060
Less: restricted cash and investments:			
Cash held in County Treasury	(58,214,648)	-	-
Cash held by Fiscal Agent	(213,438)	-	-
Cash held by Fiscal Agent - PERS	-	-	(2,167,491)
Total restricted cash and investments	(58,428,086)	-	(2,167,491)
Net cash and investments	$ 12,692,008	$ 474,471	$ 1,131,569

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, 2013.

Restricted Cash

Restricted cash of $58,428,086 represents amounts held in the District's name with third party custodians for future construction projects and repayment of long-term liabilities.

2. CASH AND INVESTMENTS (Continued)

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. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2013, the carrying amount of the District's accounts was $2,652,746 and the bank balance was $2,742,881. $583,799 of the bank balance was FDIC insured and $2,159,082 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

At June 30, 2013, the District's OPEB Trust (the "Trust) investments are held by California Public Employees Retirement System (CalPERS) CERBT Strategy 2 investment portfolio, which is pooled with other agencies, therefore there are no significant credit risks related to the investments held.

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, 2013, the District had no significant interest rate risk related to cash and investments held.

The Trust does not have a formal investment policy that limits the cash and investment maturities as a means of managing their exposure to fair value arising from increasing interest rates. At June 30, 2013, the Trust had no significant interest rate risk related to investments held.

2. CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

The District and Trust do not place limits on the amount they may invest in any one issuer. At June 30, 2013, the District and Trust had no concentration of credit risk.

3. RECEIVABLES

Receivables at June 30, 2013 are summarized as follows:

Federal	$ 392,605
State	203,017
Local and other	2,776,735
	3,372,357
Less allowance for doubtful accounts	(812,369)
	$ 2,559,988

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2012	Additions	Deductions	Transfers	Balance June 30, 2013
Non-depreciable:					
Land	$ 3,119,170	$ -	$ -	$ -	$ 3,119,170
Construction in progress	73,566,577	4,388,109	-	(70,087,298)	7,867,388
Depreciable:					
Land improvements	25,505,482	49,782	-	672,574	26,227,838
Building improvements	106,931,047	23,442,316	(418,070)	68,520,691	198,475,984
Machinery and equipment	13,346,850	2,729,015	(25,815)	894,033	16,944,083
Total	222,469,126	30,609,222	(443,885)	-	252,634,463
Less accumulated depreciation:					
Land improvements	4,394,219	1,030,498	-	-	5,424,717
Building improvements	24,130,154	3,159,097	(329,904)	-	26,959,347
Machinery and equipment	9,388,964	850,143	(25,815)	-	10,213,292
Total	37,913,337	5,039,738	(355,719)	-	42,597,356
Capital assets, net	$ 184,555,789	$ 25,569,484	$ (88,166)	$ -	$ 210,037,107

5. UNEARNED REVENUE

Unearned revenue for the District consisted of the following:

Unearned Federal and State revenue	$ 859,598
Unearned tuition and student fees	1,128,929
Unearned local revenue	3,593,187
Total unearned revenue	$ 5,581,714

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 is amortized over the life of the bond repayment. At June 30, 2013, the District has unamortized premiums of $800,855.

The annual payments required to amortize the Series A, 2004 General Obligation Bonds outstanding as of June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 850,000	$ 437,075	$ 1,287,075
2015	1,135,000	387,450	1,522,450
2016	1,345,000	325,450	1,670,450
2017	-	291,825	291,825
2018	-	291,825	291,825
2019-2023	-	1,459,125	1,459,125
2024-2028	-	1,459,125	1,459,125
2029-2030	6,485,000	437,738	6,922,738
	$ 9,815,000	$ 5,089,613	$ 14,904,613

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 $1,148,198. The premium is amortized over the life of the bond repayment. At June 30, 2013, the District has unamortized premiums of $1,604,893.

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, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,185,000	3,242,013	4,427,013
2019-2023	7,585,000	15,257,263	22,842,263
2024-2028	11,255,000	12,987,563	24,242,563
2029-2033	17,050,000	9,540,230	26,590,230
2034-2038	23,855,000	4,602,188	28,457,188
2039	5,880,000	147,000	6,027,000
	$ 70,645,000	$ 59,058,484	$129,703,484

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 is amortized over the life of the bond repayment. At June 30, 2013, the District has unamortized premiums of $700,334.

Year Ending June 30,	Principal	Interest	Total
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	40,000	2,377,963	2,417,963
2019-2023	1,950,000	11,740,863	13,690,863
2024-2028	5,625,000	10,927,131	16,552,131
2029-2033	22,630,000	8,645,156	31,275,156
2034-2035	20,915,000	1,013,532	21,928,532
	$ 51,605,000	$ 44,247,422	$ 95,852,422

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

In November 2012, the District issued Series D, 2004 General Obligation Bonds aggregating $46,995,000. The bonds mature through August 2036 and bear interest at rates ranging from 3% to 3.25%. The proceeds from the issuance will be used to finance the acquisition, construction and modernization of certain District property and facilities and pay the costs of issuing Series D Bonds. Resulting from the bond issuance, the District received a premium of $401,662 and paid issuance costs of $120,809. The premium is amortized over the life of the bond repayment. At June 30, 2013, the District has unamortized premiums of $385,596.

Year Ending June 30,	Principal	Interest	Total
2014	$ -	$ 1,723,021	$ 1,723,021
2015	-	1,487,500	1,487,500
2016	-	1,487,500	1,487,500
2017	-	1,487,500	1,487,500
2018	-	1,487,500	1,487,500
2019-2023	-	7,437,500	7,437,500
2024-2028	-	7,437,500	7,437,500
2029-2033	11,200,000	6,765,650	17,965,650
2034-2037	35,795,000	3,192,888	38,987,888
	$ 46,995,000	$ 32,506,559	$ 79,501,559

In November 2012, the District issued 2012 General Obligation Refunding Bonds aggregating $44,380,000. The bonds mature through August 2028 and bear interest at rates ranging from 2.5% to 4%. The proceeds from the issuance will be used to advance refund a portion of the District's outstanding Election 2004 General Obligation Bonds, Series A and pay the cost of issuing the Refunding Bonds. Resulting from the bond issuance, the District received a premium of $7,445,473 and paid issuance costs of $425,765. The premium is amortized over the life of the bond repayment. At June 30, 2013, the District has unamortized premiums of $7,007,504. On June 30, 2013, $45,120,000 of bonds outstanding are considered defeased.

Calculation of Difference in Cash Flow Requirements and Economic Gain

Cash Flow Difference

Old debt service cash flows	$ 85,659,488
New debt service cash flows	62,787,932
Refunding adjustments	15,133,775
	$ 7,737,781

6. LONG-TERM LIABILITIES (Continued)

Economic Gain

The economic gain or difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate and adjusted for additional cash paid is $6,359,978.

There was no accrued interest or sinking fund resources related to the new debt proceeds.

Although the advance refundings resulted in the recognition of an accounting loss of $4,830,534 for the year ended June 30, 2013, the District in effect reduced its aggregate debt service payments by $7.7 million over the next 11 years and obtained an economic gain of $6.4 million.

The annual payments required to amortize the 2012 General Obligation Refunding Bonds as of June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 875,000	$ 1,681,188	$ 2,556,188
2015	-	1,670,250	1,670,250
2016	-	1,670,250	1,670,250
2017	1,435,000	1,648,725	3,083,725
2018	1,630,000	1,594,600	3,224,600
2019-2023	13,140,000	6,633,200	19,773,200
2024-2028	21,740,000	3,158,400	24,898,400
2029	5,560,000	83,400	5,643,400
	$ 44,380,000	$ 18,140,013	$ 62,520,013

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, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	100,000	19,294	119,294
2019-2023	721,937	607,069	1,329,006
2024-2028	834,305	1,784,870	2,619,175
2029-2033	764,592	2,315,840	3,080,432
	$ 2,740,834	$ 4,836,154	$ 7,576,988

Supplemental Employee Retirement Plan

During the fiscal year ended June 30, 2013, the District provided the option of a Supplemental Employee Retirement Plan to the District employees. 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.

The annual requirements to amortize the SERP liability outstanding as of June 30, 2013 are as follows:

Year Ending June 30,	
2014	$ 702,384
2015	424,100
2016	424,100
2017	424,100
	$ 1,974,684

6. LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Amounts Due Within Year
General Obligation Bonds	$ 178,950,000	$ 91,375,000	$ 46,885,000	$ 223,440,000	$ 2,670,000
Lease Revenue Bonds	2,800,834	-	60,000	2,740,834	65,000
Bond Premium	4,568,795	7,847,135	1,916,748	10,499,182	631,842
Compensated Absences	1,171,170	-	21,218	1,149,952	343,475
SERP Liability	-	2,120,498	145,814	1,974,684	702,384
Note payable - PG&E	-	75,370	5,025	70,345	7,537
	$ 187,490,799	$ 101,418,003	$ 49,033,805	$ 239,874,997	$ 4,420,238

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, 2013 and 2012 is as follows:

	2013	2012
Liability balance, beginning of year	$ 88,909	$ 81,754
Claims and changes in estimates	635,717	669,722
Claims payments	(625,826)	(662,567)
Liability balance, end of year	$ 98,800	$ 88,909

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 2012-2013 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, 2013, 2012 and 2011 were $1,432,479, $1,442,859 and $1,395,441, 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.

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 2012-2013 was 11.417% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012 and 2011 were $1,435,226, $1,185,845 and $1,260,206, 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.

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	$ 771,401
Interest on net OPEB obligation	15,235
Adjustment to annual required contribution	(28,761)
Annual OPEB cost (expense)	757,875
Contributions made	(2,908,545)
Increase in net OPEB obligation	(2,150,670)
Net OPEB obligation - beginning of year	304,699
Net OPEB asset - end of year	$ (1,845,971)

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, 2013 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2011	$ 871,731	89.5%	$ 190,713
June 30, 2012	$ 876,308	87.0%	$ 304,699
June 30, 2013	$ 757,875	383.3%	$ (1,845,971)

As of June 30, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $5,188,334, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $5,188,334. The covered payroll (annual payroll of active employees covered by the Plan) was $1,938,814, and the ratio of the UAAL to the covered payroll was 268 percent. The OPEB plan is currently operated as a pay-as-you-go-plan.

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 in the required supplementary information, 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 June 30, 2013, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7 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, 2013, was 14 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, 2013, the District has $749,070 in outstanding commitments on construction contracts.

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:

	NCCCSIA June 30, 2012	SELF June 30, 2013	MSIA June 30, 2012	SWACC June 30, 2012
Total assets	$ 4,135,863	$ 166,243,000	$ 22,212,830	$ 48,874,611
Total liabilities	$ 1,178,615	$ 129,963,000	$ 17,581,238	$ 21,266,021
Net position	$ 2,957,248	$ 36,280,000	$ 4,631,592	$ 27,608,590
Total revenues	$ 8,302,830	$ 11,589,000	$ 8,839,552	$ 10,916,311
Total expenses	$ 9,524,613	$ 14,165,000	$ 13,398,359	$ 6,710,584
Change in net position	$ (1,221,783)	$ (2,576,000)	$ (4,558,807)	$ 4,205,727

13. OPERATING EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and change in net position for the year ended June 30, 2013.

Functional Classifications	Salaries and Benefits	Supplies, Materials and Other Operating Expenses and Services	Equipment, Maintenance and Repairs	Student Financial Aid	Depreciation	Total
Instruction	$ 22,775,846	$ 572,753	$ 14,892	$ -	$ -	$ 23,363,491
Academic Support	4,178,133	139,174	3,619	-	-	4,320,926
Student Services	5,501,806	443,717	11,537	-	-	5,957,060
Operations and Maintenance of Plant	3,000,674	1,724,801	44,845	-	-	4,770,320
Institution Support	6,973,047	5,417,450	132,837	-	-	12,523,334
Community Support	2,073,333	861,056	22,387	-	-	2,956,776
Ancillary Services	731,623	183,613	4,774	-	-	920,010
Student Aid	-	-	-	12,102,049	-	12,102,049
Depreciation	-	-	-	-	$ 5,039,738	5,039,738
	$ 45,234,462	$ 9,342,564	$ 234,891	$ 12,102,049	$ 5,039,738	$ 71,953,704

REQUIRED SUPPLEMENTARY INFORMATION

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS

For the Year Ended June 30, 2013

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%
6/30/2013	June 30, 2013	$ -	$ 5,188,334	$ 5,188,334	0%	$ 1,938,814	268%

See accompanying notes to required supplementary information.

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, 2013

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, 2013 were composed of the following members:

BOARD OF TRUSTEES

Members	Office	Term Expires
James Namnath, Ph.D	President	2015
Stephanie O'Brien	Vice President	2015
Eva Long, Ph.D	Trustee	2015
Philip Kranenburg	Trustee	2015
Diana Conti	Trustee	2013
Barbara Dolan	Trustee	2013
Wanden Treanor	Trustee	2013
Scott Blood	Student Trustee	2013

DISTRICT ADMINISTRATION

David Wain Coon Ed.D.
Superintendent/President

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

**Mr. Albert J. Harrison retired effective June 30, 2013.
Effective, August 2, 2013, Greg Nelson was appointed as Vice President, College Operations

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Education		
Direct Programs:		
Student Financial Aid Cluster:		
Federal Supplementary Educational Opportunity Program (FSEOG)	84.007	$ 137,800
Federal College Work Study (FWS)	84.033	263,290
Federal Direct Loan Program	84.268	5,005,077
Federal Pell Grants (PELL)	84.063	6,671,286
Subtotal Financial Aid Cluster		12,077,453
Passed through California Community College Chancellor's Office:		
Vocation and Applied Technology Education - Act Programs:		
Vocational and Applied Technology Educational Act - Title IC	84.048	130,158
Vocational and Applied Technology Educational Act - Title II - Tech Prep	84.048	49,389
Subtotal Vocational and Applied Technology Education Act Programs		179,547
Passed through California Department of Education:		
Early Childhood Mentor Program	84.405A	3,200
Total U.S. Department of Education		12,260,200
U.S. Department of Health and Human Services		
Passed through California Community College Chancellor's Office:		
Temporary Assistant to Needy Families (TANF)	93.558	15,250
Passed through California Department of Education:		
Child Development Training Consortium	93.575	11,629
Foster Care Education	93.658	36,528
Total U.S. Department of Health and Human Services		63,407
U.S. Department of Agriculture - Passed through California Department of Education		
Child Care Food Program	10.558	20,799
Total Federal Programs		$ 12,344,406

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2013

	Program Entitlements			Program Revenues				
	Prior Year Carry-forward	Current Entitlement	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue/ Accounts Payable	Total	Program Expend-itures
Administrative 2% Enrollment Fee Waivers	$ -	$ 76,830	$ 76,830	$ 76,830	$ -	$ -	$ 76,830	$ 76,830
Nursing Enrollment Growth	61,044	146,687	207,731	207,731	-	49,369	158,362	158,362
Basic Skills overcap FY 12	90,000	132,366	222,366	222,366	-	65,188	157,178	157,178
BFAP Administrative	-	243,024	243,024	243,024	-	-	243,024	243,024
Cal Grants	-	261,532	261,532	259,440	2,092	-	261,532	261,532
CalWORKs	1,678	122,377	124,055	124,055	-	-	124,055	124,055
CARE	37,254	-	37,254	37,254	-	-	37,254	37,254
Child Care Food Program - Preschool	-	1,153	1,153	1,153	-	-	1,153	1,153
Child Development Bailout Tax	-	75,862	75,862	75,862	-	-	75,862	75,862
Industry Driven Regional Collaborative	-	190,547	190,547	114,328	76,219	-	190,547	190,547
Child Development - State Preschool	-	145,753	145,753	145,753	-	-	145,753	145,753
DSPS	-	841,548	841,548	841,548	-	-	841,548	841,548
EOPS	-	369,272	369,272	369,272	-	-	369,272	369,272
Faculty/Staff Development	11,325	-	11,325	11,325	-	11,325	-	-
Faculty/Staff Diversity	-	4,497	4,497	4,497	-	-	4,497	4,497
Foster Care Education	-	35,132	35,132	30,990	4,142	-	35,132	35,132
Hazardous Substance	25,135	-	25,135	25,135	-	11,199	13,936	13,936
Instructional Equipment & Library Materials	590	-	590	590	-	590	-	-
Lottery - Proposition 20	283,279	154,128	437,407	316,843	-	252,414	64,429	64,429
Matriculation - Credit	-	173,870	173,870	173,870	-	-	173,870	173,870
Matriculation - Noncredit	-	62,526	62,526	62,526	-	-	62,526	62,526
Peace Officers Training	2,478	3,970	6,448	6,448	-	5,300	1,148	1,148
Scheduled Maintenance and Repair	200,000	-	200,000	200,000	-	200,000	-	-
TANF	-	15,251	15,251	15,251	-	-	15,251	15,251
Transfers & Articulation	80	-	80	80	-	40	40	40
OTF Scheduled Maintenance	101,117	-	101,117	101,117	-	101,117	-	-
Total State Programs	$ 813,980	$ 3,056,325	$ 3,870,305	$ 3,667,288	$ 82,453	$ 696,542	$ 3,053,199	$ 3,053,199

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT

Annual Attendance as of June 30, 2013

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2012 only)			
1. Noncredit	-	-	-
2. Credit	-	-	-
B. Summer Intersession (Summer 2013 - Prior to July 1, 2013)			
1. Noncredit	-	-	-
2. Credit	122	-	122
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	3,613	-	3,613
b. Daily Census Contact Hours	240	-	240
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	209	-	209
b. Credit	212	-	212
3. Alternative Attendance Accounting Procedure			
a. Weekly Census Procedure Courses	269	-	269
b. Daily Census Procedure Courses	-	-	-
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
D. Total FTES	4,665	-	4,665
Supplementary Information:			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	201	-	201
b. Credit	393	-	393
CCFS 320 Addendum			
CDCP	-	-	-
Centers FTES			
a. Noncredit	13	-	13
b. Credit	747	-	747

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, 2013

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, 2013

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 Reported Data	Audit Adjustments	Revised Data	Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional salaries:							
Contract or regular	1100	$ 7,401,769	$ -	$ 7,401,769	$ 7,401,769	$ -	$ 7,401,769
Other	1300	6,875,790	-	6,875,790	6,875,790	-	6,875,790
Total instructional salaries		14,277,559	-	14,277,559	14,277,559	-	14,277,559
Non-instructional salaries:							
Contract or regular	1200	-	-	-	2,973,100	-	2,973,100
Other	1400	-	-	-	682,519	-	682,519
Total non-instructional salaries		-	-	-	3,655,619	-	3,655,619
Total academic salaries		14,277,559	-	14,277,559	17,933,178	-	17,933,178
Classified Salaries							
Non-instructional salaries:							
Regular status	2100	-	-	-	7,974,077	-	7,974,077
Other	2300	-	-	-	533,904	-	533,904
Total non-instructional salaries		-	-	-	8,507,981	-	8,507,981
Instructional aides:							
Regular status	2200	971,922	-	971,922	971,922	-	971,922
Other	2400	218,946	-	218,946	218,946	-	218,946
Total instructional aides		1,190,868	-	1,190,868	1,190,868	-	1,190,868
Total classified salaries		1,190,868	-	1,190,868	9,698,849	-	9,698,849
Employee benefits	3000	5,320,394	-	5,320,394	11,349,512	-	11,349,512
Supplies and materials	4000	-	-	-	384,458	-	384,458
Other operating expenses	5000	-	-	-	3,806,618	-	3,806,618
Equipment replacement	6420	-	-	-	-	-	-
Total expenditures prior to exclusions		$ 20,788,821	$ -	$ 20,788,821	$ 43,172,615	$ -	$ 43,172,615

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
(Continued)
For the Year Ended June 30, 2013

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	$ 520,616	$ -	$ 520,616	$ 520,616	$ -	$ 520,616
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	-	-	-
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	346,651	-	346,651
Objects to exclude:							
Rents and leases	5060	-	-	-	11,171	-	11,171
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	-	-	-	616,813	-	616,813
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	68,029	-	68,029
Equipment:	6400						
Equipment - additional	6410	-	-	-	185,280	-	185,280
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	253,309	-	253,309
Total capital outlay		-	-	-	253,309	-	253,309
Other outgo	7000	-	-	-	-	-	-
Total exclusions		$ 520,616	$ -	$ 520,616	$ 1,748,560	$ -	$ 1,748,560
Total for ECS 84362, 50% Law		$ 20,268,205	$ -	$ 20,268,205	$ 41,424,055	$ -	$ 41,424,055
Percent of CEE (instructional salary cost /Total CEE)		48.93%	-	48.93%	100.00%	-	100.00%
50% of current expense of education					$ 20,712,028	$ -	$ 20,712,028

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT

PROP 30 EPA EXPENDITURE REPORT
For the Year Ended June 30, 2013

EPA Proceeds: $ 501,546

Activity Classification	Activity Code (0100-5900)	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	-	$ 501,546	$ -	$ -	$ 501,546

(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 Community Colleges Chancellor'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.

G - Prop 30 EPA Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes how the EPA proceeds were spent.

INDEPENDENT AUDITOR'S REPORT
ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
Marin Community College District
Novato, California

Report on Compliance with State Laws and Regulations

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, 2013:

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 Health Fee Funds
Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Disabled Student Programs and Services (DSPS)
To Be Arranged Hours (TBA)
Proposition 1D State Bond Funded Projects
Proposition 30 Education Protection Account Funds

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations of Marin Community College District. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the California State Chancellor's Office's California Community College District Audit Manual. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed above 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. However, our audit does not provide legal determination of Marin Community College District's compliance with those requirements.

Basis for Qualified Opinion with State Laws and Regulations

As described in Finding 2013-02 in the accompanying Schedule of Audit Findings and Questioned Costs, Marin Community College District did not comply with the requirements regarding the Salaries of Classroom Instructors (50 Percent Law). Compliance with such requirements is necessary, in our opinion, for Marin Community College District to comply with state laws and regulations applicable to 50 Percent Law.

Qualified Opinion with State Laws and Regulations

In our opinion, except for the noncompliance, described in the Basis for Qualified Opinion paragraph, Marin Community College District complied, in all material respects, with the compliance requirements for the year ended June 30, 2013. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Marin Community College District had not complied with the state laws and regulations.

Other Matters

Marin Community College District's response to the noncompliance findings identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. Marin Community College District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

This report is intended solely for the information and use of the 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 3, 2013

INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of Marin Community College District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Marin Community College District's basic financial statements, and have issued our report thereon dated December 3, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified other matters involving internal control that were communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2013-01.

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, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Finding

Marin Community College District's response to the finding identified in our audit is described in the accompanying schedule of Audit Findings and Questioned Costs. Marin Community College District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 3, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees
Marin Community College District
Novato, California

Report on Compliance for Each Major Federal Program

We have audited Marin Community College District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Marin Community College District's major federal programs for the year ended June 30, 2013. Marin Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Marin Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Marin Community College District's compliance.

Opinion on Each Major Federal Program

In our opinion, Marin Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Marin Community College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Marin Community College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 3, 2013

FINDINGS AND RECOMMENDATIONS

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

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 auditor's report issued on compliance for major programs: Unmodified

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? ______ Yes __X__ No

STATE AWARDS

Type of auditor's report issued on compliance for state programs: Qualified

SECTION II - FINANCIAL STATEMENT FINDINGS

2013-01 INTERNAL CONTROLS - DEFICIENCY - PAYROLL

Criteria

Internal Controls - Safeguarding of assets.

Condition

There is no evidence of any review by Human Resources of wage or other changes after the information is entered into the District's payroll system.

Effect

Risk of incorrect entries into the payroll system may not be detected in a timely manner.

Cause

The controls were not properly designed and operating.

Fiscal Impact

Not determinable.

Recommendation

The District should design controls to ensure payroll changes entered by Human Resources are verified by another independent individual in Human Resources after the changes are entered into the payroll system. Formal documentation should include the reviewer's signature/initial and the date of review. The date of the review should precede any pay date that would be affected.

Corrective Action Plan

The District will ensure there is documented evidence of verification/review for all payroll changes that are entered into the Banner payroll system.

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2013

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2013-02 STATE COMPLIANCE - SIGNIFICANT DEFICIENCY - SALARIES OF CLASSROOM INSTRUCTORS (50 PERCENT LAW)

Criteria

Education Code Section 84362, commonly known as the 50 Percent Law, requires that a minimum of 50 percent of the district's Current Expense of Education (CEE) be expended during each fiscal year for "Salaries of Classroom Instructors

Condition

The District's calculated instructional salary cost as a percent of the total current expense of education was less than 50 percent.

Effect

The District is not in compliance with Education Code 84362.

Cause

The District's cost for the salary of classroom instructors was less than 50 percent of the current expense of education.

Fiscal Impact

Not determinable.

Recommendation

The District should continuously monitor its current expense of education and ensure that the District will meet the requirements of Education Code 84362.

Corrective Action Plan

The District has applied for a waiver for the 50 percent law.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

MARIN COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2013

Findings	Recommendations	Current Status	District Explanation If Not Fully Implemented
2012-01			
One student file of 40 tested did not have verification of disability.	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.	Implemented.	