MARIN COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
June 30, 2015

MARIN COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2015

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MARIN COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Marin Community College District
Kentfield, 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, 2015, 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, 2015, and the respective changes in its 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 June 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Also, in November 2013 the GASB issued GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". As discussed in notes 9 and 10, GASB Statements No. 68 and No. 71 are effective for the District's fiscal year ending June 30, 2015. These Statements replace the requirements of GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB Statement No. 50, "Pension Disclosures." GASB Statements No. 68 and No. 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information (RSI) requirements about pensions are also addressed. 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 13 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of Employer Contributions, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 53 to 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marin Community College District's basic financial statements. The accompanying schedule of expenditure 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 basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Organization disclosure, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Organization disclosure, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Organization disclosure has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2015 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 2, 2015

Governmental Accounting Standards Board (GASB) Statement 34/35

Marin Community College District (the District) prepares 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, 2015 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 14, and the notes to the financial statements beginning on page 20.

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:

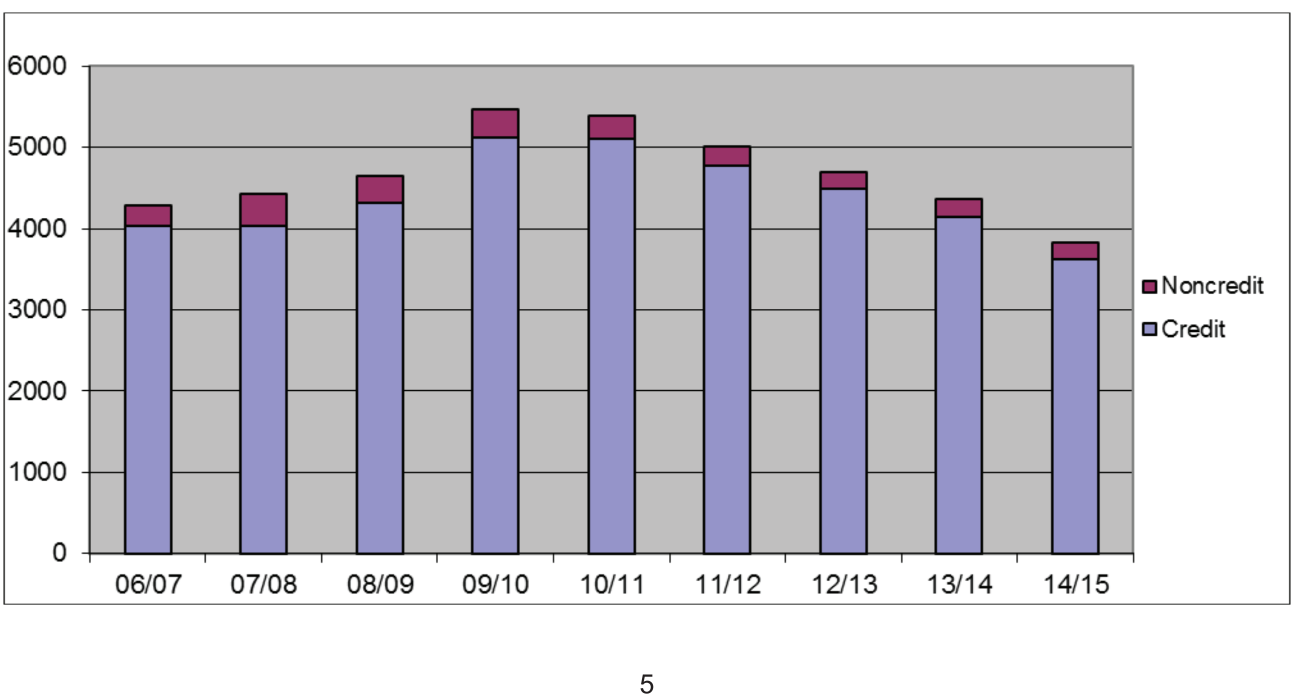
- Statement of Net Position
- Statement of Revenues, Expenses and Change in Net Position
- Statement of Cash Flows

Financial Highlights

- Marin County property values appear to have recovered to pre-recession values. 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 2014-15 by about $21.6 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).
- FTES totaled 3,833 representing a 12.2% decrease over the prior fiscal year. The recent decline in enrollment is attributable to a convergence of factors including changes in state policy on course repeatability, implementation of a "pay-as-you-go" policy to reduce the amount of student debt, compliance with federal regulations that allow financial aid only for those students making satisfactory academic progress, and an improved economy.

  Creating strong future enrollment remains a strategic priority for the District. Outreach and marketing efforts are well underway. The District has been collaborating with K-12 and business partners to develop new career technical education programs in high-demand fields such as biotechnology, agri-tourism, and information and communication technology. The District's K-12 connections also include expansion of concurrent enrollment opportunities for high school students, including offering select courses at high school sites; Summer Bridge program which is dramatically reducing the remedial needs of incoming students; and COMPASS (College of Marin Providing Access and Supporting Success).

FTES Statistics
2006/07 – 2014/15



Financial Highlights (continued)

- Fiscal year 2014-15 net position ended higher than originally budgeted due to higher than anticipated revenues offset by lower spending. Unrestricted revenues were about $1.9 million higher, primarily due to "On-Behalf" payments made by the state for STRS contributions, property taxes and long-term financing for the LED lighting capital project. Unrestricted expenditures were approximately $465 thousand lower than budget primarily due to lower than anticipated salaries, benefits (despite the increase resulting from the state "On-Behalf" payments) and operating costs, offset by higher capital outlay and other outgo. The year ended with reserve levels at 13.5%.

- Net costs for employee compensation decreased about 2.5% compared to the prior year actual expenditures. The slight decrease was primarily attributable to not filling vacant positions and the related benefit cost savings. Faculty salaries decreased by 2.0% attributable primarily to a Supplemental Employee Retirement Plan offered by the District. Classified salaries decreased 8.3% due to vacant positions not being filled. Administrators' salaries decreased 13.1% due to vacancies.

- The Board directed funding the retiree healthcare obligation (other post-employment benefits or "OPEB") 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 irrevocable OPEB Trust fund.

  In December 2014, the District's Board of Trustees approved a $250,000 contribution to the irrevocable trust fund. The FY 2015-16 Adoption Budget includes a $500,000 contribution to the irrevocable trust fund. This contribution should then allow the District to begin receiving "pay-as-you-go" reimbursements from the trust fund for its retiree medical and dental premium payments.

  As of June 30, 2015, the most recent actuarial valuation date, the District's Actuarial Accrued Liability for OPEB was $3.6 million. The actuarial value of plan assets in the OPEB trust as of June 30, 2015 is $2.8 million. A new actuarial study will be completed in FY 2016-17 for the period ending June 30, 2017.

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.

- In April 2005, $75 million in bonds were sold pursuant to the terms of a public sale. An additional $75 million in bonds were sold in February 2009, and another $52.505 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 June 2015, the District took advantage of low interest rates and refinanced previously-issued general obligation bonds. This refinancing is also known as "refunding." In this bond refunding, the District deposited refunding bond proceeds of $32,055,000 and related net premium of $4,471,615 into the Measure C Bond Redemption Fund. In addition, the District placed $36,190,524 into a refunded bond escrow trust account to pay for the refunded bonds. The refunding bond transaction incurred $102,576 underwriting costs and $233,515 issuance costs. In total, the 2015 bond refinancing transaction represents a net present value savings to the taxpayers of $2.35 million over the life of the bonds. The District previously closed another bond refunding in December 2012, which saved taxpayers approximately $6.36 million over of the life of the refunded bonds.

- Major milestones achieved in the District's Capital Improvement and Modernization Program (2014-15) included:
  - Academic Center (formerly Gateway) - construction complete in summer 2015.
  - Fine Arts Weatherization - construction complete.
  - Kentfield Accessibility Barrier Removal – construction complete.
  - Learning Resources Center voluntary seismic – project deferred.
  - IVC Accessibility Barrier Removal –design and bidding 100% complete.
  - Austin Demolition & related – 25% construction complete.

- The 2015-16 budget outlines approximately $10.6 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 demolition of the old Austin science building and start of construction on the IVC accessibility project.

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.

June 30, 2015 and 2014
(In Thousands)

	2015	2014	% Change
Current Assets			
Cash and Cash Equivalents	$ 16,564	$ 13,459	23.07%
Other Current Assets	2,546	3,673	-30.68%
Total Current Assets	19,110	17,132	11.55%
Non-Current Assets			
Restricted Cash and Cash Equivalents	21,721	41,114	-47.17%
OPEB Asset	2,288	1,829	25.10%
Capital Assets, Net of Depreciation	241,516	225,890	6.92%
Total Non-Current Assets	265,525	268,833	-1.23%
Deferred Outflow			
Pension	4,897	-	100.00%
Gain on Debt Refunding	7,115	4,428	60.68%
Total Assets and Deferred Outflow	**$ 296,647**	**$ 290,393**	**2.15%**
Current Liabilities			
Accounts Payable and Accrued Liabilities	$ 10,317	$ 10,768	-4.19%
Deferred Revenues	4,399	4,653	-5.47%
Claims Liability	74	104	-28.83%
Compensated Absences - Current Portion	253	279	-9.42%
Premium on General Obligation Bonds	744	473	57.25%
Long-Term Liabilities - Current Portion	3,971	2,858	38.95%
Total Current Liabilities	19,757	19,135	3.25%
Non-Current Liabilities			
Long-Term Liabilities	268,348	233,317	15.01%
Total Liabilities	288,105	252,452	14.12%
Deferred Inflow			
Pension	9,995	-	100.00%
Net Position			
Invested in Capital Assets	27,420	29,392	-6.71%
Restricted	8,611	8,568	0.51%
Unrestricted	(37,485)	(19)	197188.52%
Total Net Position	(1,454)	37,941	-103.83%
Total Liabilities and Net Position	**$ 296,647**	**$ 290,393**	**2.15%**

Statement of Net Position (continued)

- The $2.0 million net increase in "Total Current Assets" is due to increases primarily in general fund unrestricted cash and receivables.

- The net decrease in restricted cash of $19.4 million relates primarily to the Measure C bond construction spending.

- The net increase in capital assets of $15.6 million represents additions to depreciable assets, net of actual depreciation of $6.0 million for 2014-15. 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 $452 thousand net decrease in Accounts Payable and Accrued Liabilities relates to more timely receipt and payment of invoices.

- 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 $35 million primarily due to the net pension liability of $35.2 million added under GASB 68 offset by $134 thousand from bond repayments.

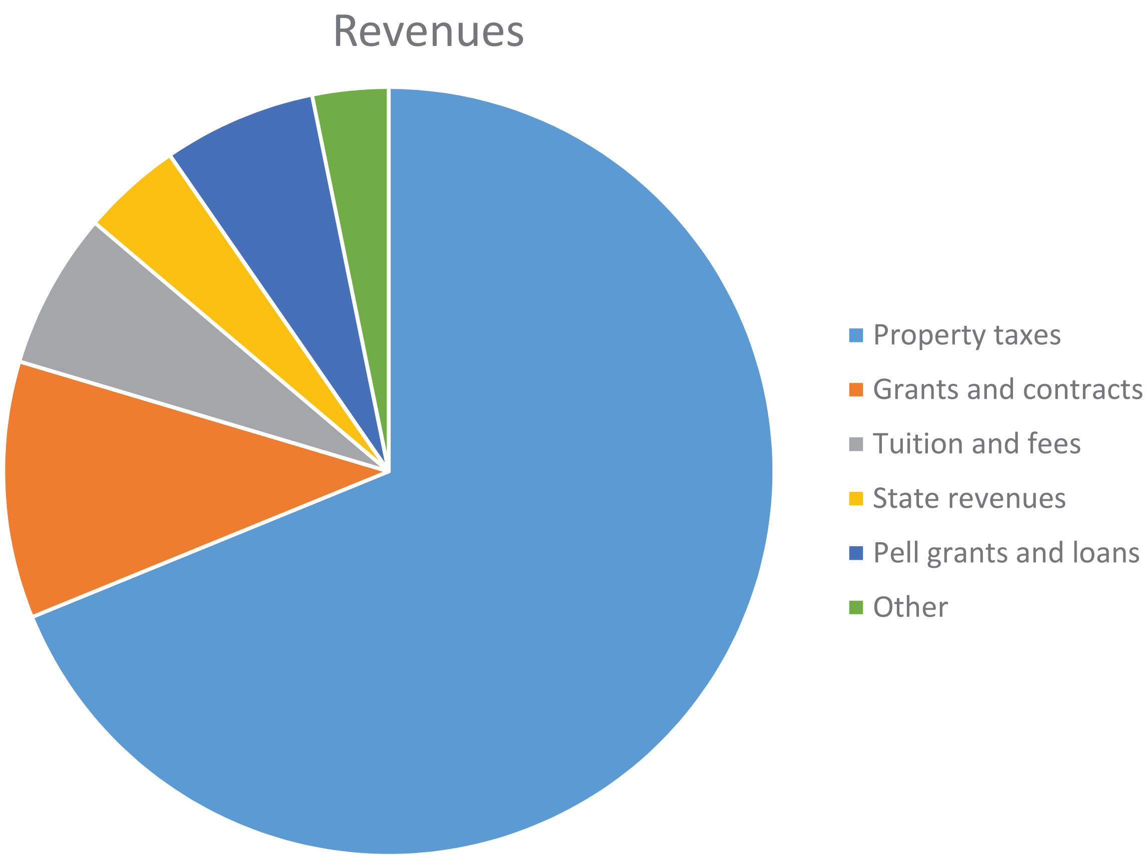
- Net Position includes the value of all capital assets (net of accumulated depreciation).

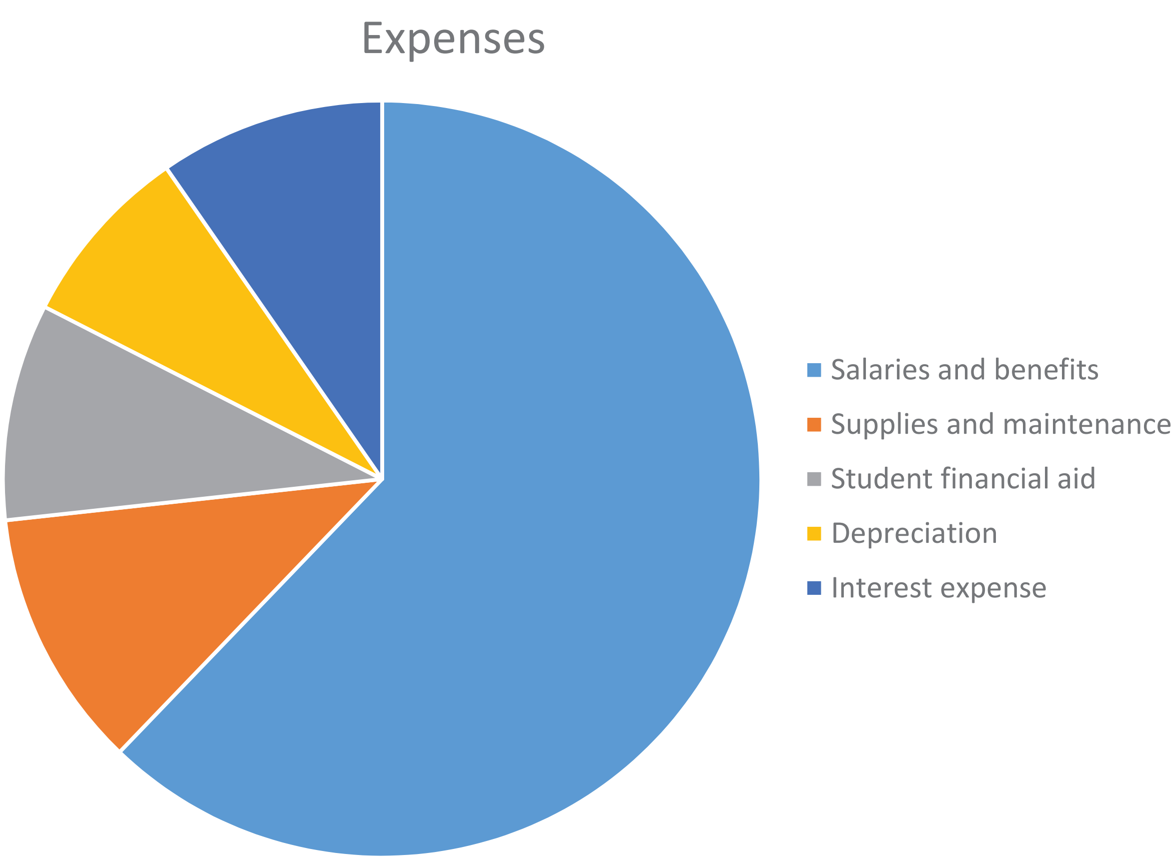
Statement of Revenues, Expenses and Change in Net Position

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.

For the Years Ended June 30, 2015 and 2014
(In Thousands)

	2015	2014	% Change
Operating Revenues			
Tuition and fees	$ 4,325	$ 4,963	-12.86%
Grants and contracts	7,101	8,887	-20.10%
Total Operating Revenues	11,426	13,850	-17.50%
Operating Expenses			
Salaries and benefits	47,316	44,110	7.27%
Supplies and maintenance	8,436	7,759	8.73%
Student Financial Aid	7,049	11,609	-39.28%
Depreciation	5,969	6,197	-3.68%
Total Operating Expenses	68,770	69,675	-1.30%
Loss from Operations	(57,344)	(55,825)	2.72%
Nonoperating Revenues and (Expenses)			
State apportionment	189	189	0.00%
Property taxes	45,242	42,271	7.03%
State revenues	2,563	1,107	131.53%
Pell grants and direct loans	4,226	5,875	-28.07%
Investment income	64	56	14.29%
Interest expense on capital asset related debt	(7,332)	(7,601)	-3.54%
Other nonoperating revenues	2,033	2,850	-28.67%
Total Nonoperating Revenues	46,985	44,747	5.00%
Capital Revenues			
State and local capital income	-	3	-100.00%
Property taxes	11,668	12,263	-4.85%
Change in Net Position	**$ 1,309**	**$ 1,188**	**10.19%**


Revenues
Property taxes
Grants and contracts
Tuition and fees
State revenues
Pell grants and loans
Other


Expenses
Salaries and benefits
Supplies and maintenance
Student financial aid
Depreciation
Interest expense

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

- As reported in the Statement of Revenues, Expenses and Change in Net Position on page 15 of this report, the cost of all the District's operational activities this year was $68.8 million, a decrease of approximately 1.3% compared to that of the prior year.

- Expenses for 2014-15 included depreciation of the District's plant and equipment of approximately $6.0 million.

- About 68.8% of all operating expenses were directed to salary and benefit costs, higher than the previous year. The STRS "On-Behalf" expenditures were approximately $1.0 million.

- Non-operating revenue and expense increased about $2.2 million primarily due to an increase in property taxes.

- The ad valorem taxes collected in the bond redemption fund was $11.7 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.

For the Years Ended June 30, 2015 and 2014
(In Thousands)

	2015	2014
Cash (used in) provided by:		
Operating activities	$ (50,888)	$ (50,122)
Non-capital financing activities	54,253	52,292
Capital and related financing activities	(19,718)	(18,773)
Investing activities	65	56
Net increase in cash	(16,288)	(16,547)
Cash – beginning of fiscal year	54,573	71,120
Cash – end of fiscal year	$ 38,285	$ 54,573

- Operating activities includes tuition and fees, grants, and operating payments. The decrease in cash used for operating activities is primarily due to the bond modernization program that has been winding down.

Statement of Cash Flows (continued)

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

- Forecasts for 2015-16 anticipate a 2.0% increase in property taxes with the California Consumer Price Index at 1.998%, however escalating salaries and pension costs are causing a deficit. The District is benefiting from increased state funding (EPA, Prop 39, categorical programs, etc.) and hopes that the state can continue with the increased funding levels. The District has also joined SISC (Self-Insured Schools of California) in an effort to control its health care costs.
- Pension Reform may help as employees new to the pension systems are required to pay their own share of pension expense, however, CalSTRS (California State Teachers' Retirement System) and CalPERS (California Public Employees' Retirement System) are both projecting annual increases for several years into the future to help with the unfunded liability of those plans.
- The current economy, slight reductions in unemployment, and changes in financial aid regulations and repeatability have caused a decline in enrollment. Also, unemployed workers who came back to school for training in a new vocation or to upgrade their skills have left to seek employment.
- Reserves are budgeted at 8.3% of General Fund Unrestricted expenditures in the 2015-16 Adoption Budget. Reserves are expected to remain flat or increase 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, 2015

ASSETS	
Current assets:	
Cash and investments (Note 2)	$ 16,563,890
Receivables, net (Note 3)	2,023,617
Prepaid expenses	522,016
Total current assets	19,109,523
Noncurrent assets:	
Restricted cash and investments (Note 2)	21,721,053
OPEB asset (Note 11)	2,287,841
Non-depreciable capital assets (Note 4)	41,949,875
Depreciable capital assets, net (Note 4)	199,566,140
Total noncurrent assets	265,524,909
Total assets	284,634,432
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 9 and 10)	4,897,070
Deferred outflows of resources - refunding (Note 6)	7,115,195
Total deferred outflows of resources	12,012,265
Total assets and deferred outflows of resources	$ 296,646,697
LIABILITIES	
Current liabilities:	
Accounts payable	$ 10,316,586
Unearned revenue (Note 5)	4,398,574
Claims liability (Note 8)	74,015
Compensated absences payable - current portion (Note 6)	252,724
Premium on General Obligation Bonds (Note 6)	743,788
Long-term debt - current portion (Note 6)	3,971,166
Total current liabilities	19,756,853
Noncurrent liabilities:	
Compensated absences payable - noncurrent portion (Note 6)	721,166
Premium on General Obligation Bonds (Note 6)	12,370,393
Long-term debt - noncurrent portion (Note 6)	255,256,421
Total noncurrent liabilities	268,347,980
Total liabilities	288,104,833
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 9 and 10)	9,995,398
NET POSITION	
Net investment in capital assets	27,419,817
Restricted for:	
Capital projects	178,338
Debt service	8,188,311
Scholarships and Loans	244,819
Unrestricted	(37,484,819)
Total net position	(1,453,534)
Total liabilities, deferred inflows of resources and net position	$ 296,646,697

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, 2015

Operating revenues:	
Tuition and fees	$ 6,526,952
Less: scholarship discounts and allowances	(2,202,364)
Net tuition and fees	4,324,588
Grants and contracts, non-capital:	
Federal	2,716,322
State and local	4,384,747
Total operating revenues	11,425,657
Operating expenses:	
Salaries and benefits (Notes 9, 10 and 11)	47,315,912
Supplies, materials, and other operating expenses and services	8,212,454
Equipment, maintenance and repairs	223,886
Student financial aid	7,049,423
Depreciation (Note 4)	5,968,499
Total operating expenses	68,770,174
Loss from operations	(57,344,517)
Non-operating revenues (expenses):	
State apportionment, non-capital	189,074
Local property taxes (Note 7)	45,241,597
State taxes and other revenues	2,563,002
Pell grants	4,225,848
Investment income	64,438
Interest expense on capital asset-related debt, net	(7,332,387)
Other non-operating revenues	2,033,461
Total non-operating revenues (expenses)	46,985,033
Loss before capital revenues	(10,359,484)
Capital revenues:	
Property taxes (Note 7)	11,668,526
Total capital revenues	11,668,526
Change in net position	1,309,042
Net position, July 1, 2014	37,940,656
Cumulative effect of GASB 68 implementation	(40,703,232)
Net position, July 1, 2014, as restated	(2,762,576)
Net position, June 30, 2015	$ (1,453,534)

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2015

Cash flows from operating activities:	
Tuition and fees	$ 4,607,494
Federal grants and contracts	2,823,042
State and local grants and contracts	4,536,574
Payments to employees	(47,802,677)
Payments to students, suppliers and vendors	(15,052,580)
Net cash used in operating activities	(50,888,147)
Cash flows from noncapital financing activities:	
State appropriations	189,074
Local property taxes	45,241,597
State taxes and other revenues	2,563,002
Other non-operating revenues	2,033,461
Pell grants	4,225,848
Net cash provided by noncapital financing activities	54,252,982
Cash flows from capital and related financing activities:	
Local property taxes, capital purposes	11,668,526
Proceeds from new debt	457,463
Principal paid on capital debt	(2,869,854)
Purchase of capital assets	(20,139,583)
Interest paid on capital debt, net	(8,834,183)
Net cash used in capital and related financing activities	(19,717,631)
Cash flows provided by investing activities:	
Interest income	64,438
Net decrease in cash and investments	(16,288,358)
Cash and investments, beginning of year	54,573,301
Cash and investments, end of year	$ 38,284,943

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2015

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (57,344,517)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	5,968,499
Changes in assets and liabilities:	
Receivables, net	931,753
Prepaid expenses	194,902
Deferred outflows of resources - pension	(1,999,653)
Accounts payable	351,360
Unearned revenue	(254,206)
Claims liability	(30,503)
SERP liability	346,098
Compensated absences	(153,612)
Net pension liability	(8,435,524)
Deferred inflows of resources - pension	9,995,398
Other postemployment benefits	(458,142)
Net cash used in operating activities	$ (50,888,147)
Noncash capital and related financing activities:	
Additions to capital assets - increase in accounts payable	$ 74,219
Amortization of loss on refunding	419,805
Amortization of premiums on capital debt	1,625,672
Total noncash capital and related financing activities	$ 2,119,696

During the year ended June 30, 2015, the District issued general obligation refunding bonds to refund existing debt outstanding. The proceeds from refunding issuance totaled $36,526,615 for the future defeasance of $31,930,000 of previously outstanding general obligation bonds.

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	Agency Fund	Trust Funds	
	Associated Students of College of Marin	OPEB Trust	Investment Trust Fund
ASSETS			
Cash and investments (Note 2):			
Cash	$ 342,973	$ -	$ 1,005,143
Investments held by Fiscal Agent - CalPERS	111,051	2,742,977	-
Receivables	43,248	-	8,038
Total assets	$ 497,272	$ 2,742,977	$ 1,013,181
LIABILITIES			
Accounts payable	$ 102,586	$ -	$ 52
Amount held for others	394,686	-	-
Total liabilities	497,272	-	52
NET POSITION			
Restricted net position	-	2,742,977	1,013,129
Total liabilities and restricted net position	$ 497,272	$ 2,742,977	$ 1,013,181

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2015

	OPEB Trust	Investment Trust Fund
Additions:		
Employer contributions	$ 250,000	$ -
Other local sources	-	3,270
Total additions	250,000	3,270
Deductions:		
Administrative fees	8,815	-
Total deductions	8,815	-
Change in net position	241,185	3,270
Net position - held in trust, July 1, 2014	2,501,792	1,009,859
Net position - held in trust, June 30, 2015	$ 2,742,977	$ 1,013,129

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 Presentation and Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. 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 expenses 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 or trustee 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, 2015 approximated their carrying value. Fair values of investments in the County investment pool are determined by the pool sponsor.

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, generally 50 years for buildings, 15 years for land improvements, and 5 years for most machinery and equipment.

The District capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing, net of interest earned on investments acquired with the proceeds of the borrowing. At June 30, 2015, the amount of interest expense on capital asset-related debt totaled $9,269,175, which is net of interest capitalized of $1,380,838.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported which is in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Amortization for the year ended June 30, 2015 totaled $419,805. Additionally, the District has recognized a deferred outflow of resources related to the payments made subsequent to the measurement date for the pensions and changes in its proportionate share.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the statement of net position.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The following is a summary of pension amounts in aggregate:

	STRP	PERF B	Total
Deferred outflows of resources	$ 1,594,920	$ 3,302,150	$ 4,897,070
Deferred inflows of resources	$ 5,088,000	$ 4,907,398	$ 9,995,398
Net pension liability	$ 20,662,000	$ 14,503,125	$ 35,165,125
Pension expense	$ 2,087,232	$ 1,725,059	$ 3,812,291

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. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the statement of net position.

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 California State Teachers Retirement System and California Public Employees' Retirement System, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015 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.

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenues and Expenses (Continued)

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.

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 June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and GASB 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. GASB 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 beginning July 1, 2014. Based on the implementation of GASB Statement No. 68, the District’s July 1, 2014 net position was restated by $40,703,232 because of the recognition of the net pension liability and deferred outflows of resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In November 2013, the GASB issued GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 71, the District established a deferred outflow category to report the payments made subsequent to the measurement date of the pensions as well as deferred inflow category to report the net differences between projected and actual earnings on investments of the pensions in the statement of net position.

In February 2015, the GASB issued its final standard on accounting and financial reporting issues related to fair value measurements, applicable primarily to investments made by state and local governments. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under GASB Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of GASB Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this statement will have on its financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2015, the GASB issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB No. Statement 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68, completes the suite of pension standards. GASB Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by GASB Statements No. 67 and 68). The requirements in GASB Statement No. 73 for reporting pensions generally are the same as in GASB Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions in GASB Statement No. 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The GASB Statement follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. GASB Statement No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This statement is effective for the District’s fiscal year ending June 30, 2017. Management has not determined what impact this statement will have on its financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2015, the GASB has issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. GASB Statement No. 75 carries forward from GASB Statement No. 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances (called special funding situations) GASB Statement No. 75 requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. Management has not determined what impact this GASB statement will have on its financial statements, however it is expected to be significant.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2015, the GASB has issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. That will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement also is intended to improve implementation guidance by elevating its authoritative status to a level that requires it be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. In connection with GASB Statement No. 76, the GASB also recently cleared Implementation Guide No. 2015-1, which incorporates changes resulting from feedback received during the public exposure of all of implementation guidance previously issued. This statement is effective for the District’s fiscal year ending June 30, 2016. Management has not determined what impact this GASB statement will have on its financial statements.

2. CASH AND INVESTMENTS

District cash and investments at June 30, 2015, consisted of the following:

	District	Agency Fund	Trust Funds
Pooled Funds:			
Cash in County Treasury	$ 37,586,297	$ -	$ 1,011,664
Deposits:			
Cash on hand and in banks	465,208	342,973	(6,521)
Revolving fund	20,000	-	-
Cash held by Fiscal Agent	213,438	-	-
Investment held by Fiscal Agent - PERS	-	111,051	2,742,977
Total cash and investments	38,284,943	454,024	3,748,120
Less: restricted cash and investments:	(21,721,053)	-	(2,742,977)
Net cash and investments	$ 16,563,890	$ 454,024	$ 1,005,143

2. CASH AND INVESTMENTS (Continued)

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, 2015.

Restricted Cash and Investments

Restricted cash of $21,721,053 represents amounts held in the District's name with third party custodians for future construction projects and repayment of long-term liabilities.

Restricted investments of $2,743,263 represents the investments held by California Public Employees Retirement System (CalPERS) for the District's irrevocable trust account for other postemployment benefits.

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, 2015, the carrying amount of the District's accounts was $1,145,949 and the bank balance was $2,046,002. $584,506 of the bank balance was FDIC insured and $1,461,496 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

2. CASH AND INVESTMENTS (Continued)

Credit Risk (Continued)

At June 30, 2015, 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, 2015, 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, 2015, the Trust had no significant interest rate risk related to investments held.

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, 2015, the District and Trust had no concentration of credit risk.

3. RECEIVABLES

Receivables at June 30, 2015 are summarized as follows:

Federal	$ 488,755
State	154,219
Local and other	1,946,106
	2,589,080
Less allowance for doubtful accounts	(565,463)
	$ 2,023,617

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Non-depreciable:				
Land	$ 3,119,170	$ -	$ -	$ 3,119,170
Construction in progress	23,688,968	15,141,737	-	38,830,705
Depreciable:				
Land improvements	26,418,988	122,436	-	26,541,424
Building improvements	201,601,845	4,418,837	-	206,020,682
Machinery and equipment	19,536,195	1,911,630	(800,321)	20,647,504
Total	274,365,166	21,594,640	(800,321)	295,159,485
Less accumulated depreciation:				
Land improvements	6,482,798	1,040,035	-	7,522,833
Building improvements	31,112,325	4,264,572	-	35,376,897
Machinery and equipment	10,880,169	663,892	(800,321)	10,743,740
Total	48,475,292	5,968,499	(800,321)	53,643,470
Capital assets, net	$ 225,889,874	$ 15,626,141	$ -	$ 241,516,015

At June 30, 2015, the District had capital assets acquired from capital leases with an original cost of $288,103 and accumulated depreciation totaling $69,198.

5. UNEARNED REVENUE

Unearned revenue for the District consisted of the following:

Unearned Federal and State revenue	$ 1,602,542
Unearned tuition and student fees	802,589
Unearned local revenue	1,993,443
Total unearned revenue	$ 4,398,574

6. LONG-TERM LIABILITIES

General Obligation Bonds

In April 2005, the District issued Series A, 2004 General Obligation Bonds aggregating $75,000,000. In June 2015, the District issued General Obligation Refunding Bonds of which $6,485,000 were used to refund the Series A, 2004 General Obligation Bonds. The bonds mature through August 2016 and bear interest at a rate of 3%. 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, 2015, the District has unamortized premiums of $58,563.

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the Series A, 2004 General Obligation Bonds outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 1,345,000	$ 33,625	$ 1,378,625

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, 2015, the District has unamortized premiums of $1,005,698.

The annual payments required to amortize the Series B, 2004 General Obligation Bonds outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 1,000,000	$ 2,051,538	$ 3,051,538
2017	1,090,000	2,020,188	3,110,188
2018	1,185,000	1,986,063	3,171,063
2019	1,285,000	1,936,163	3,221,163
2020	1,395,000	1,869,163	3,264,163
2021-2025	-	9,171,438	9,171,438
2026-2030	-	9,171,438	9,171,438
2031-2035	16,285,000	7,674,594	23,959,594
2036-2039	21,215,000	2,215,625	23,430,625
	$ 43,455,000	$ 38,096,210	$ 81,551,210

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

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, 2015, the District has unamortized premiums of $678,980.

Year Ending June 30,	Principal	Interest	Total
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	35,000	2,376,463	2,411,463
2020	285,000	2,370,063	2,655,063
2021-2025	3,425,000	11,499,363	14,924,363
2026-2030	7,330,000	10,381,481	17,711,481
2031-2035	40,045,000	5,699,313	45,744,313
	$ 51,280,000	$ 39,465,972	$ 90,745,972

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, 2015, the District has unamortized premiums of $371,699.

Year Ending June 30,	Principal	Interest	Total
2016	$ -	$ 1,487,500	$ 1,487,500
2017	-	1,487,500	1,487,500
2018	-	1,487,500	1,487,500
2019	-	1,487,500	1,487,500
2020	-	1,487,500	1,487,500
2021-2025	-	7,437,500	7,437,500
2026-2030	-	7,437,500	7,437,500
2031-2035	15,935,000	5,955,725	21,890,725
2036-2037	31,060,000	1,027,813	32,087,813
	$ 46,995,000	$ 29,296,038	$ 76,291,038

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, 2015, the District has unamortized premiums of $6,566,954.

The annual payments required to amortize the 2012 General Obligation Refunding Bonds as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,945,000	1,523,100	3,468,100
2020	2,275,000	1,438,700	3,713,700
2021-2025	16,500,000	5,447,800	21,947,800
2026-2029	19,720,000	1,465,400	21,185,400
	$ 43,505,000	$ 14,788,575	$ 58,293,575

During the year ended June 30, 2015, the District issued $32,055,000 of 2015 General Obligation Refunding Bonds. The current interest bonds bear interest at rates of 2.00% to 5.00%, maturing August 1, 2030. Proceeds were used to advance refund a portion of the outstanding 2004 Series A and B General Obligation Bonds and to pay the costs of issuing the 2015 Refunding Bonds. At June 30, 2015, the District has unamortized premiums of $4,432,287.

6. LONG-TERM LIABILITIES (Continued)

Calculation of Difference in Cash Flow Requirements and Economic Gain

Cash Flow Difference

Old debt service cash flows	$ 50,425,138
New debt service cash flows	48,074,079
	$ 2,351,059

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 is $1,911,490.

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

The annual payments required to amortize the 2015 General Obligation Refunding Bonds outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 600,000	$ 171,679	$ 771,679
2017	-	1,392,650	1,392,650
2018	-	1,392,650	1,392,650
2019	-	1,392,650	1,392,650
2020	-	1,392,650	1,392,650
2021-2025	8,810,000	6,258,850	15,068,850
2026-2030	19,225,000	3,906,800	23,131,800
2031	3,420,000	111,150	3,531,150
	$ 32,055,000	$ 16,019,079	$ 48,074,079

Defeasance of Debt

The District defeased certain General Obligation Bonds by placing proceeds of the new General Obligation Refunding Bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's financial statements. On June 30, 2015, $31,930,000 of bonds outstanding are considered defeased.

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, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 85,000	$ 26,139	$ 111,139
2017	95,000	22,951	117,951
2018	100,000	19,294	119,294
2019	110,000	15,294	125,294
2020	125,000	10,894	135,894
2021-2025	828,755	1,234,009	2,062,764
2026-2030	806,195	1,989,437	2,795,632
2031-2033	450,884	1,458,146	1,909,030
	$ 2,600,834	$ 4,776,164	$ 7,376,998

Note Payable - PG&E

In July 2014, the District entered into an On Bill Financing Loan with PG&E with an effective interest rate of 0% and expiring in February 2022. The loan is used as financing for an energy efficiency retrofit.

The annual payments required to amortize the PG&E loan outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 66,186	$ -	$ 66,186
2017	77,924	-	77,924
2018	77,924	-	77,924
2019	77,924	-	77,924
2020	77,924	-	77,924
2021-2022	134,852	-	134,852
	$ 512,734	$ -	$ 512,734

6. LONG-TERM LIABILITIES (Continued)

Supplemental Employee Retirement Plan

During the fiscal year ended June 30, 2014 and 2015, 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, 2015 are as follows:

Year Ending June 30,	
2016	$ 733,502
2017	733,502
2018	359,093
2019	266,431
	$ 2,092,528

Changes in Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014 as restated	Additions	Deductions	Balance June 30, 2015	Amounts Due Within Year
General Obligation Bonds	$ 220,770,000	$ 32,055,000	$ 34,190,000	$ 218,635,000	$ 3,030,000
Lease Revenue Bonds	2,675,834	-	75,000	2,600,834	85,000
Bond Premium	10,268,238	4,471,615	1,625,672	13,114,181	743,788
Net pension liability (Notes 9 & 10)	43,600,649	-	8,435,524	35,165,125	-
Compensated Absences	1,127,502	-	153,612	973,890	252,724
SERP Liability	1,746,430	1,363,737	1,017,639	2,092,528	733,502
Note payable - PG&E	62,808	457,463	7,537	512,734	66,186
Capital leases obligations	276,525	-	55,159	221,366	56,478
	$ 280,527,986	$ 38,347,815	$ 45,560,143	$ 273,315,658	$ 4,967,678

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, 2015 and 2014 is as follows:

	2015	2014
Liability balance, beginning of year	$ 104,518	$ 98,800
Claims and changes in estimates	586,489	629,603
Claims payments	(616,992)	(623,885)
Liability balance, end of year	$ 74,015	$ 104,518

9. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description

Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at http://www.calstrs.com/comprehensive-annual-financial-report.

Benefits Provided

The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

9. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

General Information about the State Teachers' Retirement Plan (Continued)

Benefits Provided (Continued)

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

Contributions

Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members – Under CalSTRS 2% at 60, the member contribution rate was 8.15 percent of applicable member earnings for fiscal year 2014-15. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.15 percent of applicable member earnings for fiscal year 2014-15.

9. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

General Information about the State Teachers' Retirement Plan (Continued)

Contributions (Continued)

In general, member contributions cannot increase unless members are provided with some type of "comparable advantage" in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this "comparable advantage," the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 8.88 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

The CalSTRS employer contribution rate increases effective for fiscal year 2014-15 through fiscal year 2045-46 are summarized in the table below:

Effective Date	Prior Rate	Increase	Total
July 01, 2014	8.25%	0.63%	8.88%
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The District contributed $1,594,920 to the plan for the fiscal year ended June 30, 2015.

State – 5.954 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

9. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

General Information about the State Teachers' Retirement Plan (Continued)

Contributions (Continued)

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the state contributed $200.7 million of the $267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of $66.9 million was included in an increased first quarter payment of $94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046-47.

The CalSTRS state contribution rates effective for fiscal year 2014-15 and beyond are summarized in the table below:

Effective Date	Base Rate	AB 1469 Increase For 1990 Benefit Structure	SBMA Funding	Total State Appropriation to DB Program
July 01, 2014	2.017%	1.437%	2.50%	5.954%
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.571%*

* The new legislation also gives the board limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure shall be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

9. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$ 20,662,000
State's proportionate share of the net pension liability associated with the District	12,477,000
Total	$ 33,139,000

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2014, the District's proportion was .035 percent, which was an increase of zero from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of $2,087,232 and revenue of $297,000 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	5,088,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	1,594,920	-
Total	$ 1,594,920	$ 5,088,000

9. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

$1,594,920 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	$ 1,272,000
2017	$ 1,272,000
2018	$ 1,272,000
2019	$ 1,272,000

The schedule includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions. Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2014. The STRP net pension liability as of June 30, 2013 and the STRP net pension liability as of June 30, 2014 are based on the June 30, 2013 actuarial valuation for the first year of implementation. As a result there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earrings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis for more information.

9. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Methods and Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. Based on the model from CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47%	4.50%
Private Equity	12	6.20
Real Estate	15	4.35
Inflation Sensitive	5	3.20
Fixed Income	20	0.20
Cash / Liquidity	1	0.00

* 10-year geometric average

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

9. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	$ 32,206,000	$ 20,662,000	$ 11,036,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

10. NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description

The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at https://www.calpers.ca.gov/docs/forms-publications/cafr-2014.pdf.

Benefits Provided

The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

10. NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

General Information about the Public Employer's Retirement Fund B (Continued)

Contributions

The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to $863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2015 were as follows:

Members – The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2014-15.

Employers – The employer contribution rate was 11.771 percent of applicable member earnings.

The District contributed $2,360,150 to the plan for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of $14,503,125 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The *District*'s proportion of the net pension liability was based on a projection of the *District*'s long-term share of contributions to the pension plan relative to the projected contributions of all participating school Districts, actuarially determined. At June 30, 2014, the *District*'s proportion was 0.01 percent, which was an increase of 0.008 percent from its proportion measured as of June 30, 2013.

10. NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2015, the District recognized pension expense of $1,725,029. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	4,907,398
Changes in proportion and differences between District contributions and proportionate share of contributions	942,000	-
Contributions made subsequent to measurement date	2,360,150	-
Total	$ 3,302,150	$ 4,907,398

$2,360,150 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	$ 912,850
2017	$ 912,850
2018	$ 912,850
2019	$ 1,226,848

Actuarial Methods and Assumptions

The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

10. NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Methods and Assumptions (Continued)

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Long-Term* Assumed Asset Allocation	Expected Real Rate of Return
Global Equity	47%	5.25%
Global Fixed Income	19	0.99
Inflation Insensitive	6	0.45
Private Equity	12	6.83
Real Estate	11	4.50
Infrastructure & Forestland	3	4.50
Liquidity	2	(0.55)

* 10-year geometric average

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in the actuarial valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Plan and the District.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

10. NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discount Rate (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 25,370,000	$ 14,503,000	$ 5,287,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

11. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9 and 10, 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.

11. 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	$ 254,077
Interest on net OPEB obligation	-
Adjustment to annual required contribution	257,505
Annual OPEB cost (expense)	511,582
Contributions made	(969,724)
Change in net OPEB obligation	(458,142)
Net OPEB obligation (asset) - beginning of year	(1,829,699)
Net OPEB obligation (asset) - end of year	$ (2,287,841)

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, 2015 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, 2013	$ 757,875	383.3%	$ (1,845,971)
June 30, 2014	$ 853,349	98.1%	$ (1,829,699)
June 30, 2015	$ 511,582	189.6%	$ (2,287,841)

As of April 21, 2015, the most recent actuarial valuation date, the plan was 75.8 percent funded. The actuarial accrued liability for benefits was $3,631,365, and the actuarial value of assets was $2,753,999, resulting in an unfunded actuarial accrued liability (UAAL) of $877,366. The covered payroll (annual payroll of active employees covered by the Plan) was $1,863,851, and the ratio of the UAAL to the covered payroll was 47 percent.

Benefits are provided by the District on a pay-as-you-go basis. The District does maintain a retiree benefit trust fund ("OPEB Trust"), a single-employer defined benefit OPEB plan. The OPEB Trust is administered by Benefit Trust and is included in the District's financial report as a separately presented fiduciary fund. Contribution requirements for plan members are established and may be amended by the District's Board of Trustees through the collective bargaining process.

11. 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 presented as Required Supplementary Information following the notes to the financial statements, 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 starting in 2013 when the trust was formed.

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 April 21, 2015, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.75 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 2.75 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, 2015, was 10 years.

12. 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, 2015, the District has $1,293,189 in outstanding commitments on construction contracts.

13. 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. Settled claims resulting from these risks have not exceeded insurance coverage on any of the past three years.

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, 2014	SELF June 30, 2015	MSIA June 30, 2015	SWACC June 30, 2014
Total assets and and deferred outflows	$ 3,136,348	$ 154,826,708	$ 26,777,095	$ 54,045,044
Total liabilities and and deferred inflows	$ 1,134,262	$ 122,637,079	$ 22,881,562	$ 23,536,002
Net position	$ 2,002,086	$ 32,189,629	$ 3,895,533	$ 30,509,042
Total revenues	$ 7,708,060	$ 11,968,752	$ 12,224,203	$ 9,348,523
Total expenses	$ 8,282,437	$ 23,063,637	$ 15,658,189	$ 10,082,446
Change in net position	$ (574,377)	$ (11,094,885)	$ (3,433,986)	$ (733,923)

REQUIRED SUPPLEMENTARY INFORMATION

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS

For the Year Ended June 30, 2015

Schedule of Funding Progress

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
September 1, 2008	$ -	$ 7,312,141	$ 7,312,141	0%	$ 5,974,919	122%
September 1, 2010	$ -	$ 6,604,857	$ 6,604,857	0%	$ 4,058,179	163%
April 29, 2013	$ -	$ 5,188,334	$ 5,188,334	0%	$ 1,938,814	268%
April 21, 2015	$ 2,753,999	$ 3,631,365	$ 877,366	76%	$ 1,863,366	47%

See accompanying notes to required supplementary information.

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Year Ended June 30, 2015

Fiscal Year Ended	Annual Required Contribution (ARC)	Contributions	Percentage of ARC Contributed
June 30, 2013	$ 771,401	$ 2,908,545	377%
June 30, 2014	$ 771,401	$ 837,077	109%
June 30, 2015	$ 254,077	$ 969,724	382%

See accompanying notes to required supplementary information.

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

For the Year Ended June 30, 2015

State Teacher's Retirement Plan
Last 10 Fiscal Years

	2015
District's proportion of the net pension liability	.035%
District's proportionate share of the net pension liability	$ 20,662,000
State's proportionate share of the net pension liability associated with the District	12,477,000
Total net pension liability	$ 33,139,000
District's covered-employee payroll	$ 15,748,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131%
Plan fiduciary net position as a percentage of the total pension liability	76.52%

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(Continued)
For the Year Ended June 30, 2015

Public Employers Retirement Fund B
Last 10 Fiscal Years

	2015
District's proportion of the net pension liability	.12%
District's proportionate share of the net pension liability	$ 14,503,000
District's covered-employee payroll	$ 12,593,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	115%
Plan fiduciary net position as a percentage of the total pension liability	83.38%

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

All years prior to 2015 are not available.

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

For the Year Ended June 30, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015
Contractually required contribution	$ 1,594,920
Contributions in relation to the contractually required contribution	$ 1,594,920
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 17,961,000
Contributions as a percentage of covered-employee payroll	8.88%

All years prior to 2015 are not available.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
(Continued)
For the Year Ended June 30, 2015

Public Employers Retirement Fund B
Last 10 Fiscal Years

	2015
Contractually required contribution	$ 2,360,150
Contributions in relation to the contractually required contribution	$ 2,360,150
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 20,052,000
Contributions as a percentage of covered-employee payroll	11.77%

All years prior to 2015 are not available.

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.

B - Schedule of Employer Contributions

The Schedule of the Employer Contributions presents the actuarially determined annual required contribution (ARC) and the percentage of that ARC that was contributed by the District as benefit payments directly to or on behalf of members or into the OPEB Trust fund.

C - Schedule of the District's Proportionate Share of the Net Pension Liability

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Schedule of the District's Contributions

The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E - Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions

There are no changes in assumptions reported in the Required Supplementary Information.

SUPPLEMENTARY INFORMATION

MARIN COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2015

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, 2015 were composed of the following members:

BOARD OF TRUSTEES

Members	Office	Term Expires
Wanden Treanor	President	2017
Stephanie O'Brien	Vice President	2015
Diana Conti	Clerk	2017
Brady Bevis	Trustee	2017
Philip Kranenburg	Trustee	2015
Eva Long, Ph.D	Trustee	2015
Stuart Tanenberg	Trustee	2015
Michael Trump	Student Trustee	2015

DISTRICT ADMINISTRATION

David Wain Coon Ed.D.
Superintendent/President

Gregory W. Nelson
Vice President, Finance and College Operations

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2015

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	$ 224,925
Federal College Work Study (FWS)	84.003	163,506
Federal Direct Loan Program	84.268	2,077,283
Federal Pell Grant (PELL)	84.063	4,225,848
Subtotal Financial Aid Cluster		6,691,562
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	130,873
Vocational and Applied Technology Educational Act - Title II - Tech Prep	84.048	43,269
Subtotal Vocational and Applied Technology Education Act Programs		174,142
Passed through California Department of Education:		
Early Childhood Mentor Program	84.405A	2,483
Total U.S. Department of Education		6,868,187
U.S. Department of Health and Human Services		
Passed through California Community College Chancellor's Office:		
Temporary Assistance to Needy Families (TANF)	93.558	16,008
Passed through California Department of Education:		
Child Development Training Consortium	95.575	8,050
Foster Care Education	93.658	29,401
Total U.S. Department of Health and Human Services		53,459
U.S. Department of Agriculture - Passed through California Department of Education		
Child Care Food Program	10.558	20,524
Total Federal Programs		$ 6,942,170

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2015

	Program Revenues				
	Cash Received	Accounts Receivable/ (Payable)	Unearned Income	Total	Total Program Expenditures
AB86 Adult Education	$ 195,784	$ 21,755	$ -	$ 217,539	$ 217,539
Administrative 2% Enrollment					
Fee Waivers	45,451	-	-	45,451	45,451
Basic Skills	135,098	-	52,956	82,142	82,142
BFAP Administrative	195,576	-	-	195,576	195,576
Cal Grants	285,760	829	-	286,589	286,589
CalWORKs	136,893	(6,367)	218	130,308	130,308
CARE	37,254	-	248	37,006	37,006
Child Care Food Program - Preschool	847	307	-	1,154	1,154
Child Development Bailout Tax	75,862	-	-	75,862	75,862
Child Development - State Preschool	128,525	3,557	-	132,082	132,082
DSPS	820,564	-	-	820,564	820,564
EOPS	441,286	-	113	441,173	441,173
Faculty/Staff Development	11,325	-	11,325	-	-
Faculty/Staff Diversity	4,106	-	-	4,106	4,106
Foster Care Education	20,880	20,069	-	40,949	40,949
Hazardous Substance	4,880	-	4,880	-	-
Instructional Equipment & Library					
Materials	110,303	-	6,516	103,787	103,787
Lottery - Proposition 20	486,859	132,551	552,268	67,142	67,142
Nursing Enrollment Growth	129,587	-	-	129,587	129,587
OTF - Sched. Maintenance	101,117	-	24,884	76,233	76,233
Physical Plant & Inst'l Support	577,847	-	476,552	101,295	101,295
Student Equity	230,649	-	142,966	87,683	87,683
Student Success - Credit	764,182	-	193,316	570,866	570,866
Student Success - Noncredit	55,643	-	-	55,643	55,643
Peace Officers Training	3,000	-	1,438	1,562	1,562
Scheduled Maintenance and Repair	237,605	-	125,987	111,618	111,618
TANF	16,008	-	-	16,008	16,008
Transfers & Articulation	40	-	40	-	-

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT

Annual Attendance as of June 30, 2015

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2014 only)			
1. Noncredit	-	-	-
2. Credit	-	-	-
B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)			
1. Noncredit	17	-	17
2. Credit	181	-	181
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	2,990	-	2,990
b. Daily Census Contact Hours	109	-	109
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	208	-	208
b. Credit	142	-	142
3. Alternative Attendance Accounting Procedure			
a. Weekly Census Procedure Courses	186	-	186
b. Daily Census Procedure Courses	-	-	-
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
D. Total FTES	3,833	-	3,833
Supplementary Information:			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	211	-	211
b. Credit	354	-	354
CCFS 320 Addendum			
CDCP	-	-	-
Centers FTES			
a. Noncredit	20	-	20
b. Credit	497	-	497

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, 2015

There were no audit 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, 2015

		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
Academic Salaries							
Instructional salaries:							
Contract or regular	1100	$ 7,825,882	$ -	$ 7,825,882	$ 7,825,882	$ -	$ 7,825,882
Other	1300	7,021,127	-	7,021,127	7,021,127	-	7,021,127
Total instructional salaries		14,847,009	-	14,847,009	14,847,009	-	14,847,009
Non-instructional salaries:							
Contract or regular	1200	-	-	-	2,780,658	-	2,780,658
Other	1400	-	-	-	621,924	-	621,924
Total non-instructional salaries		-	-	-	3,402,582	-	3,402,582
Total academic salaries		14,847,009	-	14,847,009	18,249,591	-	18,249,591
Classified Salaries							
Non-instructional salaries:							
Regular status	2100	-	-	-	8,388,158	-	8,388,158
Other	2300	-	-	-	411,881	-	411,881
Total non-instructional salaries		-	-	-	8,800,039	-	8,800,039
Instructional aides:							
Regular status	2200	911,335	-	911,335	911,335	-	911,335
Other	2400	233,886	-	233,886	233,886	-	233,886
Total instructional aides		1,145,221	-	1,145,221	1,145,221	-	1,145,221
Total classified salaries		1,145,221	-	1,145,221	9,945,260	-	9,945,260
Employee benefits	3000	6,089,238	-	6,089,238	12,733,269	-	12,733,269
Supplies and materials	4000	-	-	-	346,177	-	346,177
Other operating expenses	5000	-	-	-	3,749,172	-	3,749,172
Equipment replacement	6420	-	-	-	-	-	-
Total expenditures prior to exclusions		$ 22,081,468	$ -	$ 22,081,468	$ 45,023,469	$ -	$ 45,023,469

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
(Continued)
For the Year Ended June 30, 2015

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
Exclusions	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	$ 757,809	$ -	$ 757,809	$ 757,809	$ -	$ 757,809
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	-	-	-
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	928,617	-	928,617
Objects to exclude:							
Rents and leases	5060	-	-	-	228,695	-	228,695
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	-	-	-	559,968	-	559,968
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	58,858	-	58,858
Equipment:	6400						
Equipment - additional	6410	-	-	-	953,432	-	953,432
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	953,432	-	953,432
Total capital outlay		-	-	-	1,012,290	-	1,012,290
Other outgo	7000	-	-	-	-	-	-
Total exclusions		$ 757,809	$ -	$ 757,809	$ 3,487,379	$ -	$ 3,487,379
Total for ECS 84362, 50% Law		$ 21,323,659	$ -	$ 21,323,659	$ 41,536,090	$ -	$ 41,536,090
Percent of CEE (instructional salary cost /Total CEE)		51.34%	-	51.34%	100.00%	-	100.00%
50% of current expense of education					$ 20,768,045	$ -	$ 20,768,045

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT

PROP 30 EPA EXPENDITURE REPORT

For the Year Ended June 30, 2015

EPA Proceeds: $ 387,363

Activity Classification	Activity Code (0100-5900)	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	-	$ 387,363	$ -	$ -	$ 387,363

See accompanying notes to supplemental information.

NOTE TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Expenditure of Federal Awards

The accompanying Schedule of Expenditure 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.

F - 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
Kentfield, 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, 2015:

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
Schedule Maintenance Program
Gann Limit Calculation
Open Enrollment
Student Fees Health Fees and Use of Health Fee Funds
Proposition 39 Clean Energy
Intersession Extension Program
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, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations as listed above 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 on compliance with State laws and regulations. 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 Findings 2015-001 and 2015-002 in the accompanying Schedule of Audit Findings and Questioned Costs, Marin Community College District did not comply with the requirements regarding To Be Arranged Hours and Concurrent Enrollment. Compliance with such requirements is necessary, in our opinion, for Marin Community College District to comply with state laws and regulations applicable to To Be Arranged Hours and Concurrent Enrollment.

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 associated with the state laws and regulations listed above for the year ended June 30, 2015. 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 responses to the noncompliance findings identified in our audit are included in the accompanying Schedule of Audit Findings and Questioned Costs. Marin Community College District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

This report is intended solely to describe the scope of testing of compliance and the results of that testing based on requirements of the *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 2, 2015

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
Kentfield, 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, 2015, 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 2, 2015.

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.

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*.

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 2, 2015

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
Kentfield, 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, 2015. 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, 2015.

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 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 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 2, 2015

FINDINGS AND RECOMMENDATIONS

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

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

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2015-001 DEFICIENCY – STATE COMPLIANCE - TO BE ARRANGED HOURS (TBA)

Criteria

The Student Attendance Accounting Manual and California Education Code sections 84040 and 88240 require districts to maintain support for To Be Arranged Hour courses including a course syllabus and attendance records.

Condition

We identified an error in one (1) course out of our sample for To Be Arranged Hour courses that did not maintain the proper supporting documentation (syllabus and attendance records). The error was for one (1) FTE out of a sample of 18.5 FTEs. When extrapolated, this error results in 13.06 To Be Arranged Hour FTEs that did not maintain the proper supporting documentation.

Effect

The District is not in compliance with State requirements.

Cause

The District failed to maintain supporting documentation (syllabus and attendance records) for a To Be Arranged Hours course.

Fiscal Impact

Not determinable.

Recommendation

The District should maintain all support regarding To Be Arranged Hours.

Corrective Action Plan

The College implemented the SARS Track-It system in all labs effective Fall 2015. All TBA hours will now be captured in the system and a standardized report will be generated for the auditors starting with the next visit in June, 2016. The auditors were told that the College was in the process of implementing a tracking system and that the deficiency was in the process of being resolved. For TBA courses, the course syllabi will be kept on file with the departments.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2015-002 DEFICIENCY – STATE COMPLIANCE - CONCURRENT ENROLLMENT

Criteria

The California Education Code section 48800 requires that districts, for summer session attendance, to certify that they have not recommended for community college attendance more than 5% of the total number of pupils who completed that grade immediately prior to the time of recommendation.

Condition

The District was unable to provide K-12 principal certifications for concurrently enrolled students for summer sessions. Total FTES for concurrrently enrolled students in the Summer was 19.83.

Effect

The District is not in compliance with State requirements.

Cause

The District failed to maintain certifications supporting K-12 concurrent enrollment for summer sessions.

Fiscal Impact

Not determinable.

Recommendation

The District should maintain all support regarding K-12 concurrent enrollment.

Corrective Action Plan

College of Marin will begin, with the Summer 2016 semester, collecting from each public feeder high school, an official certification for each grade level of the number of students in each year, (9^{th}, 10^{th}, 11^{th} and 12^{th}).

A letter will be sent by the Dean of Enrollment Services in March 2016 explaining the requirement, and will include a certification form requesting that they certify the number of students in each grade level and the calculation for 5% of each class. For example: If the 9^{th} grade class at Redwood High School certifies for 435 students – they will indicate and acknowledge that they may authorize no more than 21-22 students from that grade level.

College of Marin will announce this process at the Annual Counselors and Administrators breakfast in early Spring, as well as sending electronic communications to all explaining the process and requirement.

By Summer 2016, COM will be able to work in partnership with the feeder high schools to assure that we are monitoring the number of students to stay within the 5% limit as per ED Code §48800.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

MARIN COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2015

Findings	Recommendations	Current Status	District Explanation If Not Fully Implemented
2014-001			
There is no evidence of any review by Human Resources of wage or other changes after the information is entered into the District's employee masterfile.	The District should design controls to ensure employee masterfile changes entered by Human Resources are verified by another independent individual in Human Resources after the changes are entered in the employee masterfile. 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.	Implemented.	
2014-002			
Title IV funds for five (5) students out of 25 were not returned to ED within the 45 days after the institution determined the student withdrew.	The District should implement controls to ensure funds are returned within 45 days after the institution determines the student withdrew.	Implemented.	
2014-003			
Five (5) out of sixty (60) students selected for testing did not maintain good standing or academic progress; the District did not disqualify these students in a timely manner.	The District should follow their SAP policy and evaluate all student's eligibility at the end of each semester.	Implemented.	

(Continued)

Findings	Recommendations	Current Status	District Explanation If Not Fully Implemented
2014-004			
SAR comment code 002 indicates professional judgment was used. Professional judgment refers to the authority of a District's financial aid administrator to make adjustment to data elements on the FAFSA and to override a student's dependency status. Out of sixty (60) students selected for testing, professional judgment was used for two (2) students. The District did not maintain support for professional judgment decisions (i.e. pay-stubs, tax returns, W2 forms) for the two (2) students with SAR comment code 002.	The District should obtain documents to support professional judgment changes and maintain the documents within the student files.	Implemented.	
2014-005			
One course was not properly listed in the class schedule and advertised to the general public.	The District should revise and resubmit the CCFS 320 report to remove the disallowed FTES.	Implemented.	
2014-006			
Sample selections were made from the detailed listing of students receiving DSPS support and services for the 2013-2014 academic year. The District was unable to provide the verification of disability for 2 of the 25 students selected for testing.	The District should implement procedures to ensure all the required documents are maintained in the student files.	Implemented.	

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2015

Findings	Recommendations	Current Status	District Explanation If Not Fully Implemented
2014-007			
Sample selections were made from the detailed listing of students receiving EOPS support and services for the 2013-2014 academic year. Out of 25 students selected for testing, one did not have a current EOPS/CARE application.	The District should implement procedures to the ensure compliance with EOPS/CARE recordkeeping requirements.	Implemented.	