

MARIN COMMUNITY COLLEGE DISTRICT
FINANCIAL STATEMENTS
June 30, 2017

MARIN COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

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MARIN COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

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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, 2017, 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, 2017, 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.

(Continued)

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 14 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 49 to 53 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017 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 14, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2017

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, 2017 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 15, and the notes to the basic financial statements beginning on page 21.

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

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

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

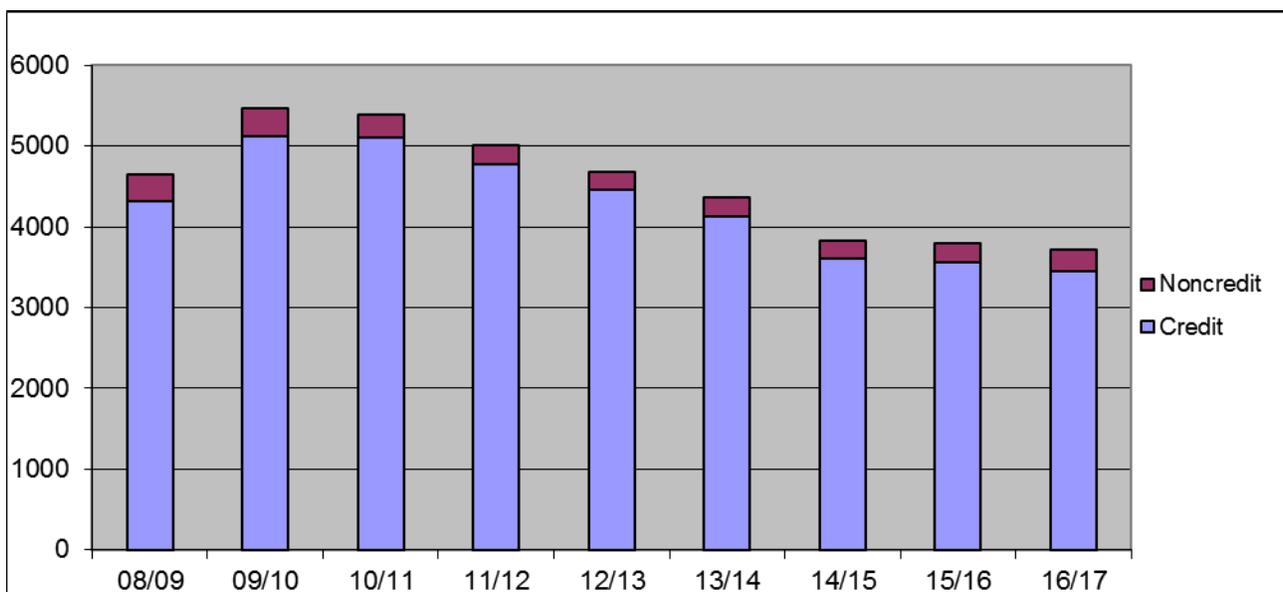
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
Fiscal Year Ending June 30, 2017

Financial Highlights

- Marin County property values appear to have recovered to pre-recession values. The District continues to maintain its “Community Supported” status because the receipts from local property taxes and enrollment fees exceeded the State’s computational revenues under SB 361 for 2016-17 by about \$29.7 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 3,723 representing a 2.2% 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; the 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
2008/09 – 2016/17



MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
Fiscal Year Ending June 30, 2017

Financial Highlights (continued)

- Fiscal year 2016-17 fund-level net position ended higher than originally budgeted due to higher than anticipated revenues offset by lower spending. Unrestricted revenues were about \$0.9 million higher, primarily due to property taxes. Unrestricted expenditures were approximately \$3.9 million lower than budget primarily due to lower than anticipated salaries and benefits. The year ended with the unrestricted fund reserve level at 19.0%.
- Net costs for employee compensation in the unrestricted fund remained relatively flat compared to the prior year actual expenditures. This was primarily attributable to bargaining unit agreements that were negotiated in 2015-16 causing a significant increase in faculty salaries that year due to retroactive payments. As a result, academic salaries decreased by 3.2% in 2016-17. Classified salaries increased 4.6% due to a negotiated bargaining unit agreement and filling vacant positions, and are expected to be higher in 2017-18 as a second bargaining unit also negotiated salary increases.
- 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.

Subsequently, the District's Board of Trustees approved additional contributions of \$250,000 and \$850,000 to the irrevocable trust fund. In FY 2016-17 the District began receiving "pay-as-you-go" disbursements from the trust fund for its retiree medical and dental premium payments.

As of April 1, 2017, the most recent actuarial valuation date, the District's Actuarial Accrued Liability for OPEB was \$2.4 million. The actuarial value of plan assets in the OPEB trust as of June 30, 2017 was \$3.5 million.

- The District provided Financial Aid to 4,043 qualified and verified students in FY 2016-17 translating to about \$6.2 million in paid aid. This paid aid is provided through grants, loans, institutional and outside scholarships, work study from the Federal government, the State, and local funding.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
Fiscal Year 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.

- The District has taken advantage of low interest rates and refinanced previously-issued general obligation bonds. This refinancing is also known as "refunding." In 2016, the bond refunding represented a net present value savings to the taxpayers of \$4.29 million over the life of the bonds. The District previously closed other bond refundings in June 2015 and December 2012, which saved taxpayers approximately \$1.91 million and \$6.36 million, respectively, over of the life of the refunded bonds.

- The District's 2016-17 Measure C Capital Improvement and Modernization Program included:
 - ADA building upgrades at the Pomo Cluster
 - James Dunn Theater Modernization
 - Infrastructure
 - Technology

- The 2017-18 budget outlines approximately \$600 thousand remaining in the fund to complete open projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
Fiscal Year Ending June 30, 2017

Capital Asset and Debt Administration (continued):

- In June 7, 2016, the voters of Marin County overwhelmingly passed Measure B, a \$265 million bond. To provide modern, well-maintained educational facilities for our students, Measure B will:
 - Repair and upgrade classrooms, science labs, vocational education facilities and job training centers for 21st-century careers in technology, computer and engineering
 - Repair or replace leaking roofs
 - Modernize and update science classrooms and labs
 - Update classrooms and educational facilities to meet current earthquake, fire and safety codes
 - Update campus facilities to provide access for disabled students.

- In November 2016, the District issued \$60 million of Series A general obligation bonds that are Federally tax exempt, and \$37.5 million of Series A-1 general obligation bonds that are Federally taxable. The College retained the services of Gilbane Building Company for as its Measure B program and construction management provider, and Ann Kennedy Group to provide financial reporting and bond compliance services.

- In December 2016, \$60,000,000 in tax exempt bonds were sold, netted against \$280,000 issuance and underwriting costs. Issuances were sold pursuant to the terms of a public sale. All proceeds were delivered to the Marin County Treasury for credit of College of Marin into its Measure B, Series A building fund.

- In December 2016, \$37,500,000 in federally-taxable bonds were sold, netted against \$287,500 in issuance and underwriting costs. Issuances were sold pursuant to the terms of a public sale and all proceeds were delivered to the Marin County Treasury for credit of College of Marin into its Measure B, Series A-1 fund.

- The District's 2016-17 Measure B Capital Improvement and Modernization Program included the beginning of the following projects:
 - ADA barrier removal/site improvements
 - Maintenance and Operations Building and District Warehouse
 - Athletic Synthetic Turf Fields
 - Administration Cluster upgrade at IVC

- The 2017-18 budget outlines approximately \$52.3 million to continue work on projects that have been initiated, as well as start on several additional projects including:
 - Organic Farm and Garden
 - Pomo Cluster
 - New Miwok Center

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
Fiscal Year Ending June 30, 2017

Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net position – the difference between assets and liabilities – is one way to measure the financial health of the District.

NET POSITION

For the Years Ended June 30, 2017 and 2016

(In Thousands)

	2017	2016	% Change
Current Assets			
Cash and Cash Equivalents	\$ 21,618	\$ 17,857	21.06%
Other Current Assets	2,687	2,534	6.04%
Total Current Assets	24,305	20,391	19.19%
Non-Current Assets			
Restricted Cash and Cash Equivalents	106,130	10,910	872.78%
OPEB Asset	3,549	3,535	0.40%
Capital Assets, Net of Depreciation	244,090	244,205	-0.05%
Total Non-Current Assets	353,769	258,650	36.78%
Deferred Outflow			
Pension	15,208	7,348	106.97%
Loss on Debt Refunding	9,850	10,642	-7.44%
Total Assets and Deferred Outflow	\$ 403,132	\$ 297,031	35.72%
Current Liabilities			
Accounts Payable and Accrued Liabilities	\$ 12,329	\$ 9,682	27.34%
Deferred Revenues	6,023	4,312	39.68%
Claims Liability	98	71	38.03%
Compensated Absences - Current Portion	332	290	14.48%
Premium on General Obligation Bonds	903	755	19.60%
Long-Term Liabilities - Current Portion	3,602	3,904	-7.74%
Total Current Liabilities	23,287	19,014	22.47%
Non-Current Liabilities			
Long-Term Liabilities	387,566	279,159	38.83%
Total Liabilities	410,853	298,173	37.79%
Deferred Inflow			
Pension	3,206	4,427	-27.58%
Net Position			
Invested in Capital Assets	15,178	22,242	-31.76%
Restricted	106,129	10,248	935.61%
Unrestricted	(132,234)	(38,059)	247.44%
Total Net Position	(10,927)	(5,569)	96.21%
Total Liabilities and Net Position	\$ 403,132	\$ 297,031	35.72%

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
Fiscal Year Ending June 30, 2017

Statement of Net Position (continued)

- The \$3.9 million net increase in "Total Current Assets" is due to increases primarily in general fund unrestricted cash and receivables.
- The net increase in restricted cash of \$95.2 million relates primarily to the Measure B bond issuance.
- Capital assets remained relatively flat as the Measure C bond projects were near completion. The \$4.9 million increase in depreciable assets and \$3.0 million increase in construction in progress from Measure B was more than offset by actual depreciation of \$8.0 million and assets taken out of service in 2016-17. 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 \$2.6 million increase in Accounts Payable and Accrued Liabilities relates to Measure B – accounts payable for projects getting underway and an increase in accrued liabilities for the additional bonds issued.
- The \$1.7 million increase in Unearned Revenues is primarily attributable to carryover of unspent State categorical funds.
- Long-term liabilities increased \$108.4 million primarily from the sale of \$97.5 million of Measure B bonds and an increase in net pension liabilities added under GASB 68.
- Net Position includes the value of all capital assets (net of accumulated depreciation).

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
Fiscal Year Ending June 30, 2017

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.

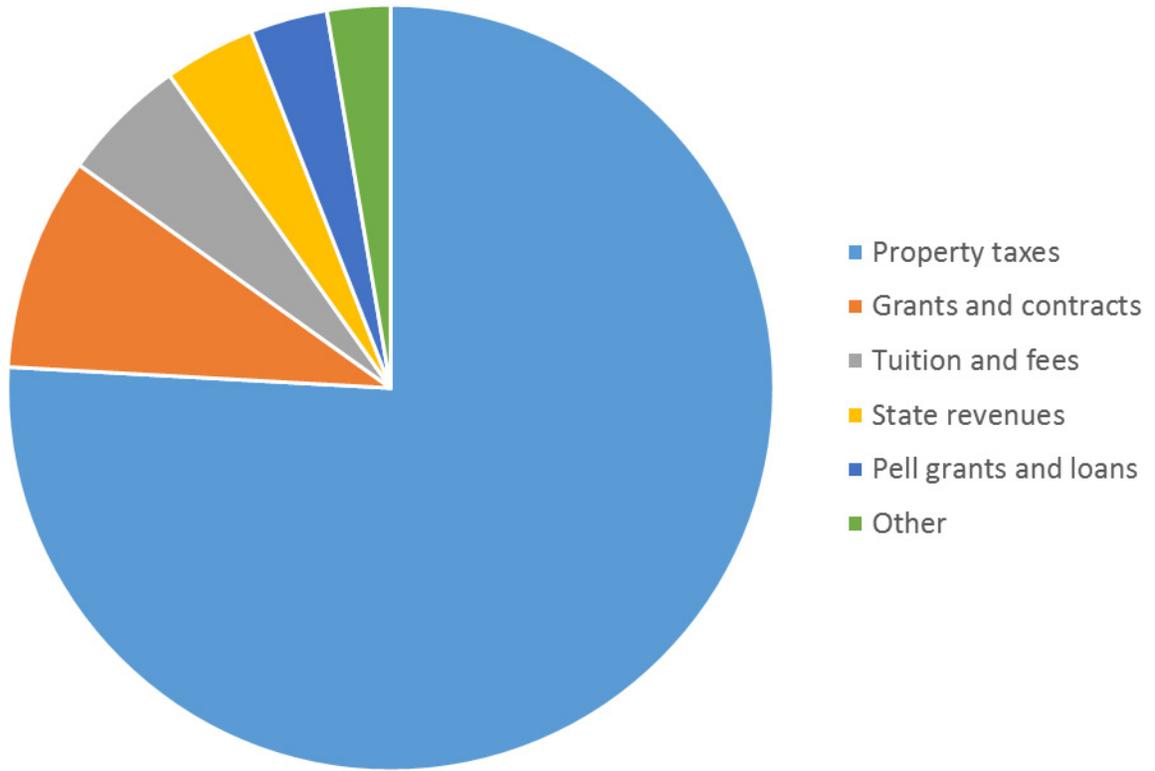
Operating Results

For the Years Ended June 30, 2017 and 2016

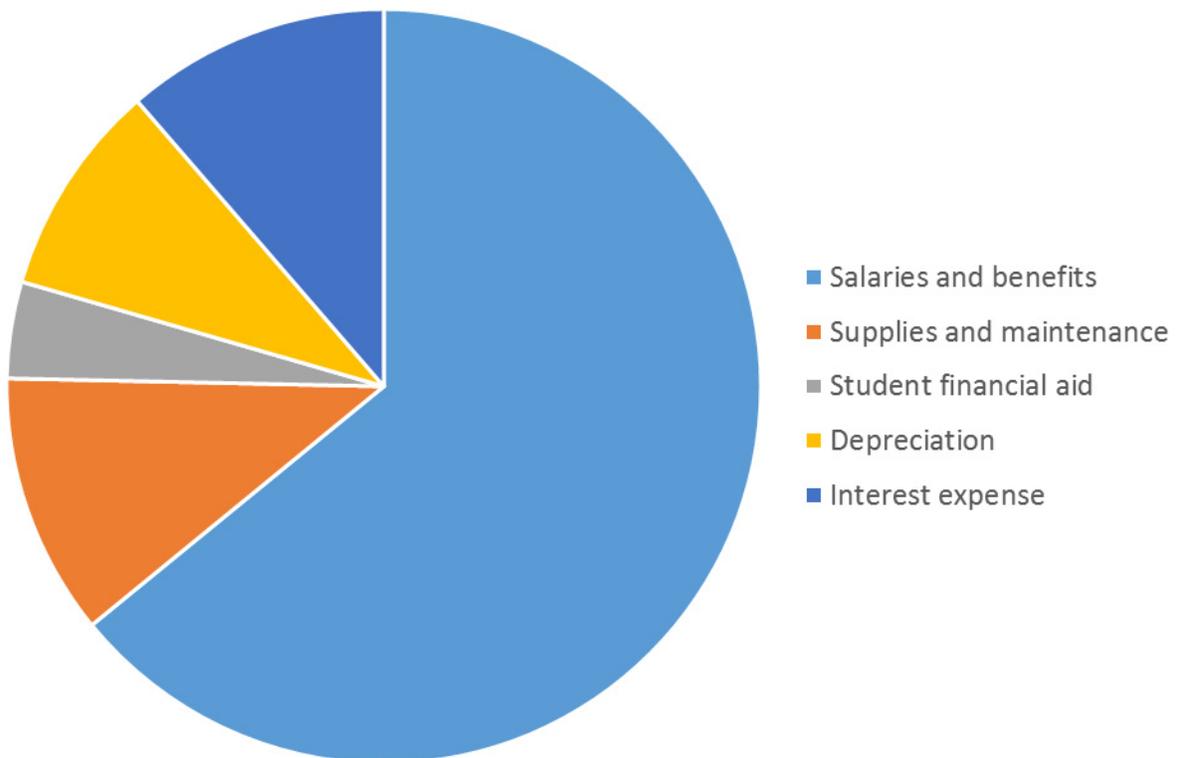
(In Thousands)

	2017	2016	% Change
Operating Revenues			
Tuition and fees	\$ 4,351	\$ 4,280	1.66%
Grants and contracts	7,389	6,598	11.99%
Total Operating Revenues	11,740	10,878	7.92%
Operating Expenses			
Salaries and benefits	55,942	53,578	4.41%
Supplies and maintenance	9,816	10,025	-2.08%
Student Financial Aid	3,610	4,525	-20.22%
Depreciation	8,011	7,092	12.96%
Total Operating Expenses	77,379	75,220	2.87%
Loss from Operations	(65,639)	(64,342)	2.02%
Nonoperating Revenues and (Expenses)			
State apportionment	561	233	140.77%
Property taxes	51,680	48,604	6.33%
State revenues	2,602	4,862	-46.48%
Pell grants and direct loans	2,670	3,027	-11.79%
Investment income	350	52	573.08%
Interest expense on capital asset related debt	(9,901)	(7,703)	28.53%
Other nonoperating revenues	1,840	(251)	-833.07%
Total Nonoperating Revenues	49,802	48,824	2.00%
Capital Revenues			
Property taxes	10,479	11,403	-8.10%
Change in Net Position	\$ (5,358)	\$ (4,115)	30.21%
Net position, July 1, 2016	\$ (5,569)	\$ (1,454)	283.01%
Net position, June 30, 2017	\$ (10,927)	\$ (5,569)	96.21%

Revenues



Expenses



MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
Fiscal Year Ending June 30, 2017

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 **x** of this report, the cost of all the District's operational activities this year was \$77.4 million, an increase of approximately 2.9% compared to that of the prior year, primarily due to increased salaries and benefits.
- Expenses for 2016-17 included depreciation of the District's plant and equipment of approximately \$8.0 million.
- About 72.3% of all operating expenses were directed to salary and benefit costs, compared to 71.2% last year. The STRS "On-Behalf" expenditures were approximately \$1.2 million.
- Non-operating revenue and expense increased about \$1.0 million primarily due to an increase in property taxes offset by reductions in other revenue sources.
- The ad valorem taxes collected in the bond redemption fund was \$10.5 million. The ad valorem taxes fluctuate because they are collected based on the need to repay the bond principal and interest.

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, 2017 and 2016

(In Thousands)

	2017	2016
Cash (used in) provided by:		
Operating activities	\$ (53,689)	\$ (54,734)
Non-capital financing activities	59,353	56,502
Capital and related financing activities	92,967	(11,338)
Investing activities	350	52
Net increase in cash	98,981	(9,518)
Cash – beginning of fiscal year	28,767	38,285
Cash – end of fiscal year	\$ 127,748	\$ 28,767

- Operating activities includes tuition and fees, grants, and operating payments. The decrease in cash used for operating activities is primarily due to the increase in salaries and benefits.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
Fiscal Year Ending June 30, 2017

Statement of Cash Flows (continued)

- A consistent significant cash in-flow is in non-capital financing activities which includes property taxes, enrollment fees, State apportionments, and local revenues; property taxes being the largest contributor.
- Representing the largest cash in-flow, capital and related financing activities correlate to bond issuances and redemptions and the District issued \$97.5 million in Measure B bonds. Construction projects and capital debt are also reported in capital and related financing activities.
- 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 2017-18 anticipate a 2.0% increase in property taxes with the California Consumer Price Index at 2.619%, offset by escalating salaries and pension costs for a slight increase in fund balance. 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. The District has negotiated with the bargaining units so classic CalPERS (California Public Employees' Retirement System) members for whom the District used to pay the employee share of CalPERS have started to pay a portion of the employee share and will, over the course of up to three years, pay the full employee portion. However, CalSTRS (California State Teachers' Retirement System) and CalPERS are both projecting annual increases for several years into the future to help with the unfunded liability of those plans which will increase the cost to the District. The District has also been required to reflect the unfunded liability of STRS and PERS for its employees in the financial statements beginning with the fiscal year ending June 30, 2015 which had and will continue to have a negative impact.
- The District contributed funds into an irrevocable trust to fund its postemployment retirement benefits. That trust is fully funded and is now providing disbursements to the District for the "pay as you go" cost of medical benefits for retirees. These disbursements are providing another financing source to the District.
- 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 17.3% of General Fund Unrestricted expenditures in the 2016-17 Annual Budget and Financial Report (CCFS 311). Reserves are expected to decrease slightly over the next few years as the result of negotiated bargaining unit agreements. The District will again strive to align reserve levels in accordance with Board policy to maintain reserves at no less than 8.0%.

MARIN COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
June 30, 2017

ASSETS

Current assets:	
Cash and investments (Note 2)	\$ 21,618,333
Receivables, net (Note 3)	2,057,872
Prepaid expenses	<u>628,478</u>
Total current assets	<u>24,304,683</u>
Noncurrent assets:	
Restricted cash and investments (Note 2)	106,129,419
OPEB asset (Note 11)	3,549,194
Non-depreciable capital assets (Note 4)	6,130,453
Depreciable capital assets, net (Note 4)	<u>237,959,892</u>
Total noncurrent assets	<u>353,768,958</u>
Total assets	<u>378,073,641</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - pensions (Notes 9 and 10)	15,208,599
Deferred outflows of resources - refunding	<u>9,849,655</u>
Total deferred outflows of resources	<u>25,058,254</u>
Total assets and deferred outflows of resources	<u>\$ 403,131,895</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 12,329,352
Unearned revenue (Note 5)	6,023,211
Claims liability (Note 8)	98,497
Compensated absences payable - current portion (Note 6)	331,902
Premium on General Obligation Bonds (Note 6)	902,911
Long-term debt - current portion (Note 6)	<u>3,601,367</u>
Total current liabilities	<u>23,287,240</u>
Noncurrent liabilities:	
Compensated absences payable - noncurrent portion (Note 6)	1,214,189
Premium on general obligation bonds (Note 6)	16,109,489
Long-term debt - noncurrent portion (Note 6)	<u>370,241,701</u>
Total noncurrent liabilities	<u>387,565,379</u>
Total liabilities	<u>410,852,619</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - pensions (Notes 9 and 10)	<u>3,206,000</u>
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NET POSITION

Net investment in capital assets	15,178,310
Restricted for:	
Capital projects	94,443,229
Debt service	11,686,190
Unrestricted	<u>(132,234,453)</u>
Total net position	<u>(10,926,724)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 403,131,895</u>

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, 2017

Operating revenues:	
Tuition and fees	\$ 6,059,786
Less: scholarship discounts and allowances	<u>(1,708,499)</u>
Net tuition and fees	<u>4,351,287</u>
Grants and contracts, non-capital:	
Federal	1,002,828
State and local	<u>6,386,151</u>
Total operating revenues	<u>11,740,266</u>
Operating expenses:	
Salaries and benefits (Notes 9, 10 and 11)	55,942,308
Supplies, materials, and other operating expenses and services	9,346,028
Equipment, maintenance and repairs	470,014
Student financial aid	3,609,581
Depreciation (Note 4)	<u>8,010,944</u>
Total operating expenses	<u>77,378,875</u>
Loss from operations	<u>(65,638,609)</u>
Non-operating revenues (expenses):	
State apportionment, non-capital	561,383
Local property taxes (Note 7)	51,679,863
State taxes and other revenues	2,602,103
Pell grants	2,669,685
Investment income	350,161
Interest expense on capital asset-related debt, net	(9,900,824)
Other non-operating expenses	<u>1,840,185</u>
Total non-operating revenues (expenses)	<u>49,802,556</u>
Loss before capital revenues	<u>(15,836,053)</u>
Capital revenues:	
Property taxes (Note 7)	<u>10,478,821</u>
Total capital revenues	<u>10,478,821</u>
Change in net position	<u>(5,357,232)</u>
Net position, July 1, 2016	<u>(5,569,492)</u>
Net position, June 30, 2017	<u>\$ (10,926,724)</u>

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

Cash flows from operating activities:	
Tuition and fees	\$ 4,183,758
Federal grants and contracts	982,951
State and local grants and contracts	8,349,427
Payments to employees	(54,734,736)
Payments to students, suppliers and vendors	<u>(12,470,898)</u>
Net cash used in operating activities	<u>(53,689,498)</u>
Cash flows from noncapital financing activities:	
State appropriations	561,383
Local property taxes	51,679,863
State taxes and other revenues	2,602,103
Other non-operating revenues	1,840,185
Pell grants	<u>2,669,685</u>
Net cash provided by noncapital financing activities	<u>59,353,219</u>
Cash flows from capital and related financing activities:	
Local property taxes, capital purposes	10,478,821
Loss on disposal of capital assets	21,760
Principal paid on capital debt	(3,170,791)
Proceeds from issuance of general obligation bonds	101,725,917
Purchase of capital assets	(7,186,188)
Interest paid on capital debt, net	<u>(8,902,423)</u>
Net cash provided by capital and related financing activities	<u>92,967,096</u>
Cash flows provided by investing activities:	
Interest income	<u>350,161</u>
Net increase in cash and investments	98,980,978
Cash and investments, beginning of year	<u>28,766,774</u>
Cash and investments, end of year	<u>\$ 127,747,752</u>

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (65,638,609)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	8,010,944
Changes in assets and liabilities:	
Receivables, net	37,459
Prepaid expenses	(189,693)
Deferred outflows of resources - pension	(7,860,950)
Accounts payable	876,358
Unearned revenue	1,710,868
Claims liability	27,543
SERP liability	(733,502)
Compensated absences	217,572
Net pension liability	11,088,000
Deferred inflows of resources - pension	(1,221,000)
Other postemployment benefits	<u>(14,488)</u>
Net cash used in operating activities	<u>\$ (53,689,498)</u>
Noncash capital and related financing activities:	
Additions to capital assets - increase in accounts payable	\$ 206,275
Amortization of loss on refunding	\$ 792,866
Amortization of premiums on capital debt	\$ 833,332

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2017

	Trust Fund		Agency Funds		
	Scholarship and Loan Trust Fund	Private Purpose Trust Fund	Associated Students of College of Marin	Emeritus Students of College of Marin	Representa- tion Fee Fund
ASSETS					
Cash (Note 2):					
Cash	\$ 422,892	\$ 1,001,704	\$ 365,430	\$ 51,171	\$ 97,231
Prepaid expenses	-	-	8,000	-	-
Receivables	-	-	10,745	14,679	309
	<u>\$ 422,892</u>	<u>\$ 1,001,704</u>	<u>\$ 384,175</u>	<u>\$ 65,899</u>	<u>\$ 97,540</u>
Total assets					
LIABILITIES					
Accounts payable	\$ 21,021	\$ 131	\$ 3,955	\$ 3,245	\$ -
Amount held for others	-	-	380,220	62,605	97,450
	<u>21,021</u>	<u>131</u>	<u>\$ 384,175</u>	<u>\$ 65,850</u>	<u>\$ 97,450</u>
Total liabilities					
NET POSITION					
Restricted - various purposes	<u>401,871</u>	<u>1,001,573</u>			
Total liabilities and restricted net position	<u>\$ 422,892</u>	<u>\$ 1,001,704</u>			

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2017

	Scholarship and Loan <u>Trust Fund</u>	Private Purpose <u>Trust Fund</u>
Additions:		
Contributions	\$ 544,469	\$ 60,320
Other local sources	<u>2,629</u>	<u>307,387</u>
Total additions	<u>547,098</u>	<u>367,707</u>
Deductions:		
Salaries and benefits	20,377	-
Supplies and materials	-	12,459
Student aid	124,850	-
Other expenditures	<u>-</u>	<u>352,248</u>
Total deductions	<u>145,227</u>	<u>364,707</u>
Change in net position	<u>401,871</u>	<u>3,000</u>
Net position - held in trust, July 1, 2016	<u>-</u>	<u>998,573</u>
Net position - held in trust, June 30, 2017	<u><u>\$ 401,871</u></u>	<u><u>\$ 1,001,573</u></u>

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 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.

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, if donated, at acquisition value at the date of donation. 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.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017, the amount of interest expense on capital asset-related debt totaled \$8,875,694, which is net of interest capitalized of \$525,628.

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 shorter life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the Statement of Net Position.

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. Certain investments are reported at fair value. The following is a summary of pension amounts in aggregate:

	<u>CalSTRS</u>	<u>CalPERS</u>	<u>Total</u>
Deferred outflows of resources	<u>\$ 8,454,796</u>	<u>\$ 6,753,803</u>	<u>\$ 15,208,599</u>
Deferred inflows of resources	<u>\$ 816,000</u>	<u>\$ 2,390,000</u>	<u>\$ 3,206,000</u>
Net pension liability	<u>\$ 33,449,000</u>	<u>\$ 23,362,000</u>	<u>\$ 56,811,000</u>
Pension expense	<u>\$ 5,379,284</u>	<u>\$ 2,556,105</u>	<u>\$ 7,935,389</u>

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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.

The District's scholarship and loan trust fund and private purpose trust fund includes resources held in trust from contributions from various organizations or groups. Amounts held are restricted based on agreements with the various organizations, groups or donors. The funds are restricted primarily for Emeritus, nursing, and EOPS scholarships, however there are also general and performing arts scholarships.

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, 2017 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.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Operating revenues and expenses: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, and (2) most Federal, State and local grants and contracts and Federal appropriations. All expenses are considered operating expenses except for interest expense on capital related debt.

Nonoperating revenues and expenses - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources described in GASB Cod. Sec. C05.101, such as State appropriations, Pell grants and investment income. Interest expense on capital related debt is the only nonoperating expense.

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

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.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements: In June 2015, the GASB 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. This statement is effective for the District's fiscal year ending June 30, 2018. Earlier application is encouraged. Management has not determined what impact this statement will have on its financial statements.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 - CASH AND INVESTMENTS

District cash and investments at June 30, 2017, consisted of the following:

	<u>District</u>	<u>Agency Funds</u>	<u>Trust Funds</u>
Pooled Funds:			
Cash in County Treasury	\$127,228,152	\$ -	\$ 1,396,571
Deposits:			
Cash on hand and in banks	286,160	513,832	28,025
Revolving fund	20,000	-	-
Cash held by Fiscal Agent	213,440	-	-
Total cash and investments	127,747,752	513,832	1,424,596
Less: restricted cash and investments	(106,129,419)	-	-
Net cash and investments	\$ 21,618,333	\$ 513,832	\$ 1,424,596

Cash in County Treasury: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Marin County Treasurer's Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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, 2017.

Restricted Cash and Investments: Restricted cash of \$106,129,419 represents amounts held in the District's name with third party custodians for future construction projects and repayment of long-term liabilities.

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

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 - CASH AND INVESTMENTS (Continued)

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, 2017, the carrying amount of the District's accounts was \$1,061,457 and the bank balance was \$965,164. At June 30, 2017, \$584,856 of the bank balance was FDIC insured and \$380,308 remained uninsured.

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

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

Interest Rate Risk: The District's investment policies do not limit cash and investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. At June 30, 2017, the District had no significant interest rate risk related to cash and investments held.

Concentration of Credit Risk: The District does not place limits on the amount they may invest in any one issuer. At June 30, 2017, the District and Trust had no concentration of credit risk.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2017 are summarized as follows:

Federal	\$	329,359
State		171,530
Local and other		<u>2,299,208</u>
		2,800,097
Less allowance for doubtful accounts		<u>(742,225)</u>
	\$	<u><u>2,057,872</u></u>

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 - CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, <u>2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2017</u>
Non-depreciable:				
Land	\$ 3,119,170	\$ -	\$ -	\$ 3,119,170
Construction in progress	-	3,011,283	-	3,011,283
Depreciable:				
Land improvements	28,907,130	981,016	-	29,888,146
Building improvements	247,350,561	2,612,909	-	249,963,470
Machinery and equipment	<u>21,856,199</u>	<u>1,312,883</u>	<u>(3,311,081)</u>	<u>19,858,001</u>
Total	<u>301,233,060</u>	<u>7,918,091</u>	<u>(3,311,081)</u>	<u>305,840,070</u>
Less accumulated depreciation:				
Land improvements	8,634,231	1,195,058	-	9,829,289
Building improvements	36,394,595	5,408,896	-	41,803,491
Machinery and equipment	<u>11,999,276</u>	<u>1,406,990</u>	<u>(3,289,321)</u>	<u>10,116,945</u>
Total	<u>57,028,102</u>	<u>8,010,944</u>	<u>(3,289,321)</u>	<u>61,749,725</u>
Capital assets, net	<u>\$244,204,958</u>	<u>\$ (92,853)</u>	<u>\$ (21,760)</u>	<u>\$244,090,345</u>

At June 30, 2017, the District had capital assets acquired from capital leases with an original cost of \$187,167 and accumulated depreciation totaling \$100,836.

NOTE 5 - UNEARNED REVENUE

Unearned revenue for the District consisted of the following:

Unearned Federal and State revenue	\$ 2,687,802
Unearned tuition and student fees	997,819
Unearned local revenue	<u>2,337,590</u>
Total unearned revenue	<u>\$ 6,023,211</u>

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 - LONG-TERM LIABILITIES

In March 2009, the District issued Series B, 2004 General Obligation Bonds aggregating \$75,000,000. The bonds mature through August 2019 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, 2017, the District has unamortized premiums of \$81,936.

The annual payments required to amortize the Series B, 2004 General Obligation Bonds outstanding as of June 30, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,185,000	\$ 151,775	\$ 1,336,775
2019	1,285,000	101,875	1,386,875
2020	<u>1,395,000</u>	<u>34,875</u>	<u>1,429,875</u>
	<u>\$ 3,865,000</u>	<u>\$ 288,525</u>	<u>\$ 4,153,525</u>

In May 2011, the District issued Series C, 2004 General Obligation Bonds aggregating \$52,505,000. The bonds mature through August 2034 and bear interest at rates ranging from 3% to 5%. The proceeds from the issuance will be used to finance the acquisition, construction and modernization of certain District property and facilities. Resulting from the bond issuance, the District received a premium of \$767,032 and paid issuance costs of \$285,719. The premium is amortized over the life of the bond repayment. At June 30, 2017, the District has unamortized premiums of \$630,003.

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	410,000	2,356,163	2,766,163
2022	545,000	2,334,338	2,879,338
2023-2027	4,860,000	11,145,194	16,005,194
2028-2032	15,030,000	9,522,769	24,552,769
2033-2035	<u>29,955,000</u>	<u>2,221,694</u>	<u>32,176,694</u>
	<u>\$ 51,160,000</u>	<u>\$ 34,704,647</u>	<u>\$ 85,864,647</u>

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 - LONG-TERM LIABILITIES (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, 2017, the District has unamortized premiums of \$347,601.

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 1,487,500	\$ 1,487,500
2019	-	1,487,500	1,487,500
2020	-	1,487,500	1,487,500
2021	-	1,487,500	1,487,500
2022	-	1,487,500	1,487,500
2023-2027	-	7,437,500	7,437,500
2028-2032	9,250,000	7,072,400	16,322,400
2033-2037	<u>37,745,000</u>	<u>4,373,638</u>	<u>42,118,638</u>
	<u>\$ 46,995,000</u>	<u>\$ 26,321,038</u>	<u>\$ 73,316,038</u>

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, 2017, the District has unamortized premiums of \$5,848,043.

The annual payments required to amortize the 2012 General Obligation Refunding Bonds as of June 30, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,625,000	1,340,700	3,965,700
2022	2,995,000	1,228,300	4,223,300
2023-2027	19,915,000	3,991,500	23,906,500
2028-2029	<u>10,685,000</u>	<u>352,700</u>	<u>11,037,700</u>
	<u>\$ 42,070,000</u>	<u>\$ 11,469,600</u>	<u>\$ 53,539,600</u>

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, 2017, \$25,445,000 of bonds outstanding are considered defeased.

At June 30, 2017, the District has unamortized premiums of \$3,944,500.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2015 General Obligation Refunding Bonds outstanding as of June 30, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 1,392,650	\$ 1,392,650
2019	-	1,392,650	1,392,650
2020	-	1,392,650	1,392,650
2021	1,510,000	1,362,450	2,872,450
2022	1,615,000	1,299,950	2,914,950
2023-2027	10,305,000	5,150,125	15,455,125
2028-2031	<u>18,025,000</u>	<u>1,767,950</u>	<u>19,792,950</u>
	<u>\$ 31,455,000</u>	<u>\$ 13,758,425</u>	<u>\$ 45,213,425</u>

In February 2016, the District issued \$40,845,000 of 2016 General Obligation Refunding Bonds. The current interest bonds bear interest at rates of 2.00% to 5.00%, maturing August 1, 2038. At June 30, 2017, the District has unamortized premiums of \$2,013,000.

The annual payments required to amortize the 2016 General Obligation Refunding Bonds outstanding as of June 30, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 150,000	\$ 1,423,125	\$ 1,573,125
2019	140,000	1,419,525	1,559,525
2020	150,000	1,415,175	1,565,175
2021	155,000	1,410,600	1,565,600
2022	160,000	1,404,275	1,564,275
2023-2027	875,000	6,947,750	7,822,750
2028-2032	4,815,000	6,666,063	11,481,063
2033-2037	22,920,000	4,027,800	26,947,800
2038-2039	<u>11,100,000</u>	<u>393,925</u>	<u>11,493,925</u>
	<u>\$ 40,465,000</u>	<u>\$ 25,108,238</u>	<u>\$ 65,573,238</u>

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. At June 30, 2017, \$37,500,000 of bonds outstanding are considered defeased.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 - LONG-TERM LIABILITIES (Continued)

In November 2016, the District issued Election of 2016 General Obligation Bonds, Series A (Federally Tax-Exempt) aggregating \$60,000,000. The bonds mature through August 2041 and bear interest at rates ranging from 3% to 5%. The proceeds from the issuance will be used to finance the acquisition, construction, modernization and equipping of District sites and facilities and pay the costs of issuing Series A Bonds. At June 30, 2017, the District has unamortized premiums of \$3,567,926.

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 2,559,238	\$ 2,559,238
2019	4,870,000	2,461,838	7,331,838
2020	3,545,000	2,293,538	5,838,538
2021	170,000	2,219,238	2,389,238
2022	70,000	2,214,438	2,284,438
2023-2027	1,520,000	10,923,988	12,443,988
2028-2032	7,240,000	10,133,563	17,373,563
2033-2037	17,240,000	7,562,838	24,802,838
2038-2042	<u>25,345,000</u>	<u>3,218,744</u>	<u>28,563,744</u>
	<u>\$ 60,000,000</u>	<u>\$ 43,587,423</u>	<u>\$ 103,587,423</u>

In November 2016, the District issued Election of 2016 General Obligation Bonds, Series A-1 (Federally Taxable) aggregating \$37,500,000. The bonds mature through August 2029 and bear interest at rates ranging from 1.296% to 3.472%. The proceeds from the issuance will be used to finance the acquisition, construction, modernization and equipping of District sites and facilities and pay the costs of issuing Series A Bonds. At June 30, 2017, the District has unamortized premiums of \$579,457.

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 923,337	\$ 923,337
2019	6,140,000	883,549	7,023,549
2020	6,545,000	790,191	7,335,191
2021	1,840,000	717,825	2,557,825
2022	1,955,000	677,104	2,632,104
2023-2027	11,860,000	2,490,344	14,350,344
2028-2030	<u>9,160,000</u>	<u>483,160</u>	<u>9,643,160</u>
	<u>\$ 37,500,000</u>	<u>\$ 6,965,510</u>	<u>\$ 44,465,510</u>

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.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the Lease Revenue Bonds outstanding as of June 30, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 100,000	\$ 19,294	\$ 119,294
2019	110,000	15,294	125,294
2020	125,000	10,894	135,894
2021	135,000	5,738	140,738
2022	177,655	278,770	456,425
2023-2027	846,673	1,682,067	2,528,740
2028-2032	776,960	2,199,563	2,976,523
2033	<u>149,546</u>	<u>515,454</u>	<u>665,000</u>
	<u>\$ 2,420,834</u>	<u>\$ 4,727,074</u>	<u>\$ 7,147,908</u>

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, 2017, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 77,924	\$ -	\$ 77,924
2019	77,924	-	77,924
2020	77,924	-	77,924
2021	77,924	-	77,924
2022	<u>56,936</u>	<u>-</u>	<u>56,936</u>
	<u>\$ 368,632</u>	<u>\$ -</u>	<u>\$ 368,632</u>

Supplemental Employee Retirement Plan: During the fiscal year ended June 30, 2017 and 2016, 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, 2017 are as follows:

Year Ending <u>June 30,</u>	
2018	\$ 359,093
2019	<u>266,431</u>
	<u>\$ 625,524</u>

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Debt: A schedule of changes in long-term debt for the year ended June 30, 2017 is as follows:

	Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2017</u>	Amounts Due Within <u>Year</u>
General Obligation Bonds	\$ 218,950,000	\$ 97,500,000	\$ 2,940,000	\$ 313,510,000	\$ 3,005,000
Lease Revenue Bonds	2,515,834	-	95,000	2,420,834	100,000
Bond Premium	13,619,881	4,225,917	833,332	17,012,466	902,911
Net pension liability (Notes 9 & 10)	45,723,000	11,088,000	-	56,811,000	-
Compensated Absences	1,328,519	217,572	-	1,546,091	331,902
SERP Liability	1,359,026	-	733,502	625,524	359,093
Note payable - PG&E	446,548	-	77,916	368,632	77,924
Capital leases obligations	<u>164,887</u>	<u>-</u>	<u>57,875</u>	<u>107,012</u>	<u>59,350</u>
	<u>\$ 284,107,695</u>	<u>\$ 113,031,489</u>	<u>\$ 4,737,625</u>	<u>\$ 392,401,559</u>	<u>\$ 4,836,180</u>

NOTE 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.

NOTE 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, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Liability balance, beginning of year	\$ 70,954	\$ 74,015
Claims and changes in estimates	626,543	572,516
Claims payments	<u>(599,000)</u>	<u>(575,577)</u>
Liability balance, end of year	<u>\$ 98,497</u>	<u>\$ 70,954</u>

(Continued)

NOTE 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.

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.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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

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 10.25 percent of applicable member earnings for fiscal year 2016-17. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2016-17.

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 – 12.58 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 2016-17 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
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	

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

The District contributed \$2,488,796 to the plan for the fiscal year ended June 30, 2017.

State – 8.828 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2046-2047. The CalSTRS state contribution rates effective for fiscal year 2016-17 and beyond are summarized in the table below.

As shown in the subsequent table, the state rate will increase to 4.811 percent on July 1, 2017, to continue paying down the unfunded liabilities associated with the benefits structure that was in place 1990 prior to certain enhancements in benefits and reductions in contributions.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017	2.017%	4.811%(2)	2.50%	9.328%
July 2018 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(3)	2.50%	4.517%(3)

(1) This rate does not include \$72 million reduction with Education Code 22954

(2) During its April 2017 meeting, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2017.

(3) The CalSTRS board has limited authority to adjust state contribution rates from July 1, 2017, through June 30, 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 would 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.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 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, 2017, 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	\$ 33,449,000
State's proportionate share of the net pension liability associated with the District	<u>19,044,000</u>
Total	<u><u>\$ 52,493,000</u></u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. 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, 2016, the District's proportion was 0.041 percent, which was an increase of 0.002 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$5,379,284 and revenue of \$1,534,740 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 816,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	2,659,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	3,307,000	-
Contributions made subsequent to measurement date	<u>2,488,796</u>	<u>-</u>
Total	<u><u>\$ 8,454,796</u></u>	<u><u>\$ 816,000</u></u>

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

\$2,488,796 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$ 526,000
2019	\$ 526,000
2020	\$ 1,978,400
2021	\$ 1,453,800
2022	\$ 456,300
2023	\$ 209,500

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, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings 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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
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 and June 30, 2015 Actuarial Program Valuations for more information.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (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. The actuarial investment rate of return assumption was adopted by the board in 2012 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	6.30%
Private Equity	13	9.30
Real Estate	13	5.20
Inflation Sensitive	4	3.80
Fixed Income	12	0.30
Absolute Return / Risk Mitigating Strategies	9	2.90
Cash / Liquidity	2	(1.00)

* 20-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.

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 <u>(6.60%)</u>	Current Discount Rate <u>(7.60%)</u>	1% Increase <u>(8.60%)</u>
District's proportionate share of the net pension liability	<u>\$ 48,141,000</u>	<u>\$ 33,449,000</u>	<u>\$ 21,247,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

(Continued)

NOTE 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-2016.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.

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, 2017 were as follows:

Members – The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2016-17.

Employers – The employer contribution rate was 13.888 percent of applicable member earnings.

The District contributed \$1,905,803 to the plan for the fiscal year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$23,362,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as June 30, 2015. 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. At June 30, 2016, the District’s proportion was 0.108 percent, which was an increase of 0.013 percent from its proportion measured as of June 30, 2015.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

For the year ended June 30, 2017, the District recognized pension expense of \$2,556,105. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 919,000	\$ 14,000
Changes of assumptions	-	702,000
Net differences between projected and actual earnings on investments	3,608,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	321,000	1,674,000
Contributions made subsequent to measurement date	<u>1,905,803</u>	<u>-</u>
Total	<u>\$ 6,753,803</u>	<u>\$ 2,390,000</u>

\$1,905,803 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$ 133,834
2019	\$ 133,834
2020	\$ 1,248,932
2021	\$ 941,400

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 4 years as of the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions

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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	June 30, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.65%
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

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (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, 2015 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.

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	51%	5.25%
Global Fixed Income	20	0.99
Inflation Insensitive	6	0.45
Private Equity	10	6.83
Real Estate	10	4.50
Infrastructure & Forestland	2	4.50
Liquidity	1	(0.55)

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.65 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.

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.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (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 7.65 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 (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease <u>(6.65%)</u>	Current Discount Rate <u>(7.65%)</u>	1% Increase <u>(8.65%)</u>
District's proportionate share of the net pension liability	<u>\$ 34,865,000</u>	<u>\$ 23,362,000</u>	<u>\$ 13,794,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 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 under a single employer defined benefit OPEB plan. The plan does not issue separate financial statements. 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.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 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	\$ -
Interest on net OPEB obligation	(229,756)
Adjustment to annual required contribution	<u>215,268</u>
Annual OPEB cost (expense)	(14,488)
Contributions made	<u>-</u>
Change in net OPEB obligation	(14,488)
Net OPEB obligation (asset) - beginning of year	<u>(3,534,706)</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ (3,549,194)</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and the preceding two years were as follows:

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB Cost <u>Contributed</u>	Net OPEB Obligation <u>(Asset)</u>
June 30, 2015	\$ 511,582	189.6%	\$ (2,287,841)
June 30, 2016	\$ 261,064	577.6%	\$ (3,534,706)
June 30, 2017	\$ (14,488)	-%	\$ (3,549,194)

As of April 1, 2017, the most recent actuarial valuation date, the plan was 190.8 percent funded. The actuarial accrued liability for benefits was \$2,405,614, and the actuarial value of assets was \$3,856,195, resulting in no unfunded actuarial accrued liability (UAAL). The covered payroll (annual payroll of active employees covered by the Plan) was \$1,349,672.

(Continued)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District established an irrevocable trust under the California Employer's Retiree Benefit Trust Program (CERBT) to prefund the costs of other postemployment benefits. The funds in the CERBT are held in trust and will be administered by the California Public Employees' Retirement System (CalPERS) as an agent multiple-employer plan. Benefit provisions are established and may be amended by District labor agreements which are approved by the Board of Trustees. The District's contributions to the irrevocable trust is included in the CERBT, which is included in the CalPERS CAFR. Copies of the CalPERS' CAFR may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

The CERBT fund, which is an Internal Revenue Code (IRC) Section 115 Trust, is set up for the purpose of (i) receiving employer contributions to prefund health and other post-employment benefits for retirees and their beneficiaries, (ii) invest contributed amounts and income therein, and (iii) disburse contributed amounts and income therein, if any, to pay for costs of administration of the fund and to pay for health care costs or other post-employment benefits in accordance with the terms of the District's OPEB plan.

For the year ended June 30, 2017, the District's contribution to the CERBT investment trust fund totaled \$-. At June 30, 2017, the balance of the CERBT investment fund was \$3,482,761. Benefits are provided by the District on a pay-as-you-go basis.

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 1, 2017, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.50 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, 2017, was 8 years.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 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, 2017, the District has \$8,236,834 in outstanding commitments on construction contracts.

NOTE 13 - JOINT POWERS AGREEMENTS

Marin Community College District participates in Joint Power Agreements (JPAs), with Northern California Community College Self Insurance Authority (NCCCSIA), Schools Association for Excess Risk (SAFER), the Protected Insurance Program for Schools (PIPS) 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, SAFER and SWACC provide property and liability insurance for its members. PIPS 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:

	<u>NCCCSIA</u> <u>June 30, 2016</u>	<u>SAFER</u> <u>June 30, 2016</u>	<u>PIPS</u> <u>June 30, 2016</u>	<u>SWACC</u> <u>June 30, 2016</u>
Total assets and and deferred outflows	\$ 2,865,827	\$ 23,297,652	\$ 117,633,714	\$ 53,650,572
Total liabilities and and deferred inflows	\$ 893,853	\$ 21,255,886	\$ 104,282,740	\$ 25,243,178
Net position	\$ 1,971,974	\$ 2,041,766	\$ 13,350,974	\$ 28,407,394
Total revenues	\$ 7,815,664	\$ 56,004,631	\$ 265,453,036	\$ 18,776,551
Total expenses	\$ 7,883,792	\$ 55,390,780	\$ 262,540,194	\$ 20,885,850
Change in net position	\$ (68,128)	\$ 613,851	\$ 2,912,842	\$ (2,109,299)

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 14 - SUBSEQUENT EVENTS

In November 2017, the District issued 2017 General Obligation Refunding Bonds in the amount of \$49,405,000 to refund a portion of the District's outstanding Series C Bonds. The Bonds are general obligations of the District payable solely from *ad valorem taxes*. The Refunding Bonds interest rates range from 2.00% to 5.00% and are set to mature in August 2034.

REQUIRED SUPPLEMENTARY INFORMATION

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
For the Year Ended June 30, 2017

Actuarial Valuation Date	<u>Schedule of Funding Progress</u>					
	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%
April 1, 2017	\$ 3,856,195	\$ 2,405,614	\$ -	191%	\$ 1,349,672	0%

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, 2017

State Teacher's Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.036%	0.039%	0.041%
District's proportionate share of the net pension liability	\$ 20,662,000	\$ 26,052,000	\$ 33,449,000
State's proportionate share of the net pension liability associated with the District	<u>12,477,000</u>	<u>13,779,000</u>	<u>19,044,000</u>
Total net pension liability	<u>\$ 33,139,000</u>	<u>\$ 39,831,000</u>	<u>\$ 52,493,000</u>
District's covered payroll	\$ 15,748,000	\$ 17,961,000	\$ 20,611,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%

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)

MARIN COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2017

Public Employers Retirement Fund B
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.133%	0.121%	0.108%
District's proportionate share of the net pension liability	\$ 15,387,250	\$ 19,671,000	\$ 23,362,000
District's covered payroll	\$ 15,342,000	\$ 14,898,000	\$ 14,443,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	100.29%	132.04%	161.75%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%

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, 2017

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 1,594,920	\$ 2,211,544	\$ 2,488,796
Contributions in relation to the contractually required contribution	<u>1,594,920</u>	<u>2,211,544</u>	<u>2,488,796</u>
District's covered payroll	\$ 17,961,000	\$ 20,611,000	\$ 19,784,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%

All years prior to 2015 are not available.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2017

Public Employers Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 1,753,636	\$ 1,711,105	\$ 1,905,803
Contributions in relation to the contractually required contribution	<u>1,753,636</u>	<u>1,711,105</u>	<u>1,905,803</u>
District's covered payroll	\$ 14,898,000	\$ 14,443,000	\$ 13,723,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%

All years prior to 2015 are not available.

NOTE 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 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.

C - 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.

D - Changes of Benefit Terms

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

E - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B was 7.50, 7.65, and 7.65 percent in the June 30, 2013, 2014, and 2015 actuarial reports, respectively. There were no changes in assumptions reported for the State Teachers' Retirement Plan

SUPPLEMENTARY INFORMATION

MARIN COMMUNITY COLLEGE DISTRICT
ORGANIZATION
June 30, 2017

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, 2017 were composed of the following members:

BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Diana Conti	President	2018
Eva Long, Ph.D	Vice President	2020
Philip Kranenburg	Clerk	2020
Brady Bevis	Trustee	2018
Stephanie O'Brien	Trustee	2020
Stuart Tanenberg	Trustee	2020
Wanden Treanor	Trustee	2018
Amy Diaz	Student Trustee	2018

DISTRICT ADMINISTRATION

David Wain Coon Ed.D.
Superintendent/President

Gregory W. Nelson
Vice President, Finance and College Operations

Jonathan Eldridge
Senior Vice President of Learning and Student Success

MARIN COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2017

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>		
Direct Programs:		
Student Financial Aid Cluster:		
Federal Supplementary Educational Opportunity Program (FSEOG)	84.007	\$ 199,639
Federal College Work Study (FWS)	84.033	155,648
Federal Direct Loan Program	84.268	437,264
PELL Admin Allowance	84.268	4,325
Federal Pell Grant (PELL)	84.063	<u>2,665,360</u>
Subtotal Financial Aid Cluster		<u>3,462,236</u>
Passed through California Community College Chancellor's Office:		
Vocation and Applied Technology Education - Act Program:		
Vocational and Applied Technology Educational Act - Title IC	84.048	111,669
Vocational and Applied Technology Educational Act - Title II - Tech Prep	84.048	<u>43,748</u>
Subtotal Vocational and Applied Technology Education Act Program		<u>155,417</u>
Passed through California Department of Education:		
Early Childhood Mentor Program	84.405A	<u>1,600</u>
Total U.S. Department of Education		<u>3,619,253</u>
<u>U.S. Department of Health and Human Services</u>		
Passed through California Community College Chancellor's Office:		
Temporary Assistance to Needy Families (TANF) Cluster	93.558	15,742
Passed through California Department of Education:		
Child Development Training Consortium - CCDF Cluster	93.575	4,587
Foster Care Education	93.658	<u>30,407</u>
Total U.S. Department of Health and Human Services		<u>50,736</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>		
Child Care Food Program	10.558	<u>2,524</u>
Total Federal Programs		<u>\$ 3,672,513</u>

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS
For the Year Ended June 30, 2017

	Program Revenues			Total	Total Program Expenditures
	Cash Received	Accounts Receivable/ (Payable)	Unearned Income		
Administrative 2% Enrollment					
Fee Waivers	\$ 45,038	\$ -	\$ -	\$ 45,038	\$ 45,038
Adult Ed Block Grant (AEBG)	1,386,750	10,571	129,287	1,268,034	1,268,034
Basic Skills	90,000	-	77,002	12,998	12,998
Basic Skills Transformation	520,600	-	238,075	282,525	282,525
BFAP Administrative	183,158	-	-	183,158	183,158
Cal Grants	247,908	(3,639)	-	244,269	244,269
CalWORKs	147,827	-	-	147,827	147,827
CARE	60,391	-	-	60,391	60,391
Child Care Food Program - Preschool	132	-	-	132	132
Child Development Contract Funds	103,727	-	-	103,727	103,727
DSPS	841,477	-	-	841,477	841,477
EOPS	568,777	-	-	568,777	568,777
Foster Care Education	32,690	7,577	-	40,267	40,267
Full Time Student Success Grant	63,699	-	-	63,699	63,699
Lottery - Proposition 20	793,584	79,283	807,221	65,646	65,646
Nursing Enrollment Growth	110,216	9,584	-	119,800	119,800
OTF - Child Development Bailout Funds	79,874	-	-	79,874	79,874
OTF - Instructional Effectiveness & Zero Cost Text					
Books	50,000	35,000	57,656	27,344	27,344
OTF - Sched. Maintenance	24,884	-	24,884	-	-
Peace Officers Training	-	1,288	-	1,288	1,288
Physical Plant & Inst'l Support	666,727	-	332,939	333,788	333,788
Student Equity	384,934	-	114,787	270,147	270,147
Student Success - Credit	990,302	-	107,504	882,798	882,798
Student Success - Noncredit	119,748	-	77,796	41,952	41,952
Scheduled Maintenance and Repair	98,087	-	98,087	-	-
Strong Workforce	579,287	-	486,366	92,921	92,921
TANF	15,742	-	-	15,742	15,742
Unlock the Data	50,000	-	-	50,000	-

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF WORKLOAD MEASURES FOR
 STATE GENERAL APPORTIONMENT
 Annual Attendance as of June 30, 2017

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2016 only)			
1. Noncredit	-	-	-
2. Credit	-	-	-
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)			
1. Noncredit	18	-	18
2. Credit	187	-	187
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	2,807	-	2,807
b. Daily Census Contact Hours	139	-	139
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	253	-	253
b. Credit	157	-	157
3. Alternative Attendance Accounting Procedure			
a. Weekly Census Procedure Courses	161	-	161
b. Daily Census Procedure Courses	1	-	1
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
D. Total FTES	<u>3,723</u>	<u>-</u>	<u>3,723</u>
Supplementary Information:			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	95	-	95
b. Credit	283	-	283
<u>CCFS 320 Addendum</u>			
CDCP	-	-	-
Centers FTES			
a. Noncredit	18	-	18
b. Credit	489	-	489

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, 2017

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

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2017

General Fund	\$ 10,396,668	
Bond Interest and Redemption Fund	10,421,346	
Revenue Bond Interest and Redemption Fund	1,264,844	
Capital Outlay Fund	1,785,448	
Revenue Bond Construction Fund	92,838,702	
Self Insurance Fund	259,305	
IVC Organic Farm Fund	3,669	
Total Audited Fund Balances as reported on the Annual Financial and Budget Report (CCFS-311)		\$ 116,969,982

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. However, capital assets, net of accumulated depreciation are added to total net assets. 244,090,345

Losses on refundings of debt are categorized as deferred outflows and are amortized over the shorter life of the refunded or refunding of the debt. 9,849,655

In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:

Deferred outflows of resources relating to pensions	\$ 15,208,599	
Deferred inflows of resources relating to pensions	<u>(3,206,000)</u>	12,002,599

Unmatured interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. (4,986,940)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2017 consisted of:

General Obligation Bonds	\$ (313,510,000)	
Lease revenue bonds	(2,420,834)	
Bond premiums	(17,012,466)	
Net pension liability	(56,811,000)	
Compensated absences	(1,546,091)	
SERP liability	(625,524)	
Note payable - PG&E	(368,632)	
Capital leases obligation	<u>(107,012)</u>	(392,401,559)

In governmental funds, other post employment benefits (OPEB) assets and liabilities are not reported because they are applicable to future periods. In the Statement of Net Position, OPEB asset (liabilities) are reported. 3,549,194

Total net position - business-type activities \$ (10,926,724)

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
For the Year Ended June 30, 2017

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional salaries:							
Contract or regular	1100	\$ 9,217,848	\$ -	\$ 9,217,848	\$ 9,217,848	\$ -	\$ 9,217,848
Other	1300	<u>7,435,379</u>	<u>-</u>	<u>7,435,379</u>	<u>7,435,379</u>	<u>-</u>	<u>7,435,379</u>
Total instructional salaries		<u>16,653,227</u>	<u>-</u>	<u>16,653,227</u>	<u>16,653,227</u>	<u>-</u>	<u>16,653,227</u>
Non-instructional salaries:							
Contract or regular	1200	-	-	-	3,280,057	-	3,280,057
Other	1400	<u>-</u>	<u>-</u>	<u>-</u>	<u>885,457</u>	<u>-</u>	<u>885,457</u>
Total non-instructional salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>4,165,514</u>	<u>-</u>	<u>4,165,514</u>
Total academic salaries		<u>16,653,227</u>	<u>-</u>	<u>16,653,227</u>	<u>20,818,741</u>	<u>-</u>	<u>20,818,741</u>
<u>Classified Salaries</u>							
Non-instructional salaries:							
Regular status	2100	-	-	-	9,058,103	-	9,058,103
Other	2300	<u>-</u>	<u>-</u>	<u>-</u>	<u>436,091</u>	<u>-</u>	<u>436,091</u>
Total non-instructional salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>9,494,194</u>	<u>-</u>	<u>9,494,194</u>
Instructional aides:							
Regular status	2200	1,023,580	-	1,023,580	1,023,580	-	1,023,580
Other	2400	<u>236,636</u>	<u>-</u>	<u>236,636</u>	<u>236,636</u>	<u>-</u>	<u>236,636</u>
Total instructional aides		<u>1,260,216</u>	<u>-</u>	<u>1,260,216</u>	<u>1,260,216</u>	<u>-</u>	<u>1,260,216</u>
Total classified salaries		<u>1,260,216</u>	<u>-</u>	<u>1,260,216</u>	<u>10,754,410</u>	<u>-</u>	<u>10,754,410</u>
Employee benefits	3000	6,725,394	-	6,725,394	13,508,752	-	13,508,752
Supplies and materials	4000	-	-	-	511,467	-	511,467
Other operating expenses	5000	-	-	-	4,916,822	-	4,916,822
Equipment replacement	6420	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures prior to exclusions		<u>\$ 24,638,837</u>	<u>\$ -</u>	<u>\$ 24,638,837</u>	<u>\$ 50,510,192</u>	<u>\$ -</u>	<u>\$ 50,510,192</u>

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
For the Year Ended June 30, 2017

Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799			
	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data	
<u>Exclusions</u>							
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	\$ 522,592	\$ -	\$ 522,592	\$ 522,592	\$ -	\$ 522,592
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	-	-	-
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	739,746	-	739,746
Objects to exclude:							
Rents and leases	5060	-	-	-	320,149	-	320,149
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
Supplies and materials:							
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	-	-	-	570,942	-	570,942
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	72,191	-	72,191
Equipment:							
Equipment - additional	6400	-	-	-	328,593	-	328,593
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	328,593	-	328,593
Total capital outlay		-	-	-	400,784	-	400,784
Other outgo	7000	-	-	-	-	-	-
Total exclusions		\$ 522,592	\$ -	\$ 522,592	\$ 2,554,213	\$ -	\$ 2,554,213
Total for ECS 84362, 50% Law		\$ 24,116,245	\$ -	\$ 24,116,245	\$ 47,955,979	\$ -	\$ 47,955,979
Percent of CEE (instructional salary cost /Total CEE)		50.29%	-	50.29%	100.00%	-	100.00%
50% of current expense of education					\$ 23,977,990	\$ -	\$ 23,977,990

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT
 PROP 55 EPA EXPENDITURE REPORT
 For the Year Ended June 30, 2017

EPA Proceeds:	\$	374,613				
<u>Activity Classification</u>		<u>Activity Code (0100-5900)</u>	<u>Salaries and Benefits (1000-3000)</u>	<u>Operating Expenses (4000-5000)</u>	<u>Capital Outlay (6000)</u>	<u>Total</u>
Instructional Activities		-	\$ 374,613	\$ -	\$ -	\$ 374,613

See accompanying notes to supplemental information.

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Marin Community College District under programs of the federal government for the year ended June 30, 2017, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Marin Community College District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Marin Community College District. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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 Governmental funds to the Statement of Net Position

This schedule provides the information necessary to reconcile the fund balances to the audited financial statements.

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

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

G - Prop 55 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 Contracted District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2017:

- 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
- Dual Enrollment of K-12 Students in Community College Credit Courses
- Student Equity
- Student Success and Support Program (SSSP)
- Scheduled Maintenance Program
- Gann Limit Calculation
- Open Enrollment
- Proposition 39 Clean Energy
- Interession Extension Program
- Disabled Student Programs and Services (DSPS)
- To Be Arranged Hours (TBA)
- Proposition 1D and 51 State Bond Funded Projects
- Proposition 55 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 Marin Community College District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *California State Chancellor's Office's California Community College Contracted District Audit Manual (Audit Manual)*. Those standards and the Audit Manual require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Marin Community College District's compliance 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.

(Continued)

Opinion on Compliance with State Laws and Regulations

In our opinion, 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, 2017. 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.

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 14, 2017

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, 2017, 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 14, 2017.

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 an opinion 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*.

(Continued)

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 14, 2017

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 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, 2017. 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 Federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2017.

(Continued)

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002 and 2017-003, that we consider to be significant deficiencies.

Marin Community College District's responses to the internal control over compliance findings identified in our audit are described 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 them.

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

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 14, 2017

FINDINGS AND RECOMMENDATIONS

MARIN COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2017

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)? X Yes _____ 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 2 CFR 200.516(a)? X Yes _____ No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 750,000

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

STATE AWARDS

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

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2017-001 FEDERAL COMPLIANCE - SIGNIFICANT DEFICIENCY - STUDENT FINANCIAL AID CLUSTER - REPORTING

Program information:

CFDA #84.063: Federal Pell Grant

Criteria

Common Origination and Disbursement (COD) System (OMB No. 1845-0039) –All schools receiving Pell grants submit Pell payment data to the Department of Education through the COD System.

Schools submit Pell origination records and disbursement records to the COD. Origination records can be sent well in advance of any disbursements, as early as the school chooses to submit them for any student the school reasonably believes will be eligible for a payment.

Condition

We noted discrepancies between COD and the records for 9 out of the 40 students selected for testing. The discrepancies include: award amount, transaction number, expected family contribution, disbursement date and time recorded.

Effect

The District is not in compliance with Federal requirements regarding Reporting.

Cause

Lack of adequate controls/oversight to ensure funds are accuracy of data submitted to the Department of Education.

Questioned Costs

None.

Recommendation

The District should implement controls to ensure accurate transmittal of data to the Department of Education.

Views of Responsible Officials and Corrective Action Plan

The District, acting through The Office of Enrollment Services will implement a positive control process to verify accuracy in COD reporting.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2017-002 FEDERAL COMPLIANCE - SIGNIFICANT DEFICIENCY - STUDENT FINANCIAL AID CLUSTER - SPECIAL TESTS AND PROVISION - DISBURSEMENTS TO OR ON BEHALF OF STUDENTS

Program information:

CFDA #84.268: Federal Direct Loan Program

Criteria

The institution must notify the student, or parent, in writing of (1) the date and amount of the disbursement; (2) the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan or the TEACH Grant payments returned to ED; and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, TEACH Grant, or TEACH Grant disbursement. The notification requirement for loan funds applies only if the funds are disbursed by EFT payment or master check (34 CFR section 668.165). Institutions that implement an affirmative confirmation process (as described in 34 CFR section 668.165 (a)(6)(i)) must make this notification to the student or parent no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution with Direct Loan, FPL funds, or TEACH Grants. Institutions that do not implement an affirmative confirmation process must notify a student no earlier than 30 days before, but no later than 7 days after, crediting the student's account and must give the student 30 days (instead of 14) to cancel all or part of the loan.

Condition

The District was unable to provide disbursement notifications for 3 out of 21 students selected for testing.

Effect

The District is not in compliance with Federal requirements regarding Special Tests and Provision - Disbursements to or on Behalf of Students.

Cause

Lack of adequate controls/oversight to ensure notification is sent to the student/parent when a loan is disbursed to the student.

Questioned Costs

None.

Recommendation

The District should implement controls to ensure notification is sent to the student/parent when a loan is disbursed to the student.

Views of Responsible Officials and Corrective Action Plan

The District, acting through The Office of Enrollment Services, has implemented processes within the Banner Student Information System to notify students at the time of every disbursement. This process is auditable.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2017-003 FEDERAL COMPLIANCE - SIGNIFICANT DEFICIENCY - STUDENT FINANCIAL AID CLUSTER - MATCHING, LEVEL OF EFFORT AND EARMARKING

Program information:

CFDA #84.033: Federal Work-Study

Criteria

An institution must use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities unless waived by the Secretary of Education. The institution can only use up to 10 percent of its FWS or \$75,000, whichever is less, for a JLD program (Section 446(a)(1) of the HEA (42 USC 2756); 34 CFR section 675.18).

Condition

The District did not use at least 7% of the total Federal Work Study allocations to compensate students employed in community service activities. The District did not receive a waiver from the Secretary of Education.

Effect

The District is not in compliance with Federal requirements regarding Earmarking for Federal Work Study.

Cause

Lack of adequate controls/oversight to ensure funds are spent to meet the Earmarking requirements.

Questioned Costs

Based on the Federal Work Study allocation for 2016-17 Federal Work Study of \$227,834, the District should have compensated approximately \$15,950 in community service activities. At June 30, 2017, the Federal share of community service earned compensation totaled \$5,349. Therefore, questioned costs are \$10,601.

Recommendation

The District should implement controls to ensure funds are spent to meet the Earmarking requirements.

Views of Responsible Officials

The District, acting through The Office of Enrollment Services will work to improve community service placement for Federal Work Study. Until threshold can be met, a Waiver will be requested from DOE.

College of Marin will continue to work to ensure compliance with Federal Title IV Regulations.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

MARIN COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2017

<u>Findings</u>	<u>Recommendations</u>	<u>Current Status</u>	<u>District Explanation If Not Fully Implemented</u>
2016-001 <u>Condition:</u> The District was unable to provide K-12 principal certifications for concurrently enrolled students for summer sessions. Total FTES for concurrently enrolled students in the Summer was 33.64.	The District should maintain all support regarding K-12 concurrent enrollment.	Implemented.	