

MARIN COMMUNITY COLLEGE DISTRICT

COUNTY OF MARIN

NOVATO, CALIFORNIA

FINANCIAL STATEMENTS

WITH SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2009

AND

INDEPENDENT AUDITOR'S REPORT

MARIN COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION**

For the Year Ended June 30, 2009

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Statement of Net Assets	10
Discretely Presented Component Unit – College of Marin Foundation – Statement of Net Assets	11
Statement of Revenues, Expenses and Change in Net Assets	12
Discretely Presented Component Unit – College of Marin Foundation – Statement of Revenues, Expenses and Change in Net Assets	13
Statement of Cash Flows	14
Discretely Presented Component Unit – College of Marin Foundation – Statement of Cash Flows	15
Notes to Basic Financial Statements	16-36
Supplemental Information:	
Independent Auditor's Report on Supplemental Information	37
Organization	38
Schedule of Federal Financial Awards	39
Schedule of State Financial Awards	40
Schedule of Workload Measures for State General Apportionment	41
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements	42
Notes to Supplemental Information	43

MARIN COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION**

For the Year Ended June 30, 2009

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
Independent Auditor's Report on State Compliance Requirements	44-45
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46-47
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	48-49
Findings and Recommendations:	
Schedule of Audit Findings and Questioned Costs	50
Summary of Findings and Recommendations	51-53
Status of Prior Year Findings and Recommendations	54

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Marin Community College District
Novato, California

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Marin Community College District as of and for the year ended June 30, 2009, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the net assets of the business-type activities and the discretely presented component unit of Marin Community College District as of June 30, 2009, and the results of its operations, changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2009 on our consideration of Marin Community College District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis (MD&A) on pages 3 through 9 is not a required part of the basic financial statements, but is supplemental information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The accompanying supplementary information listed in the table of contents, including the Schedule of Federal Financial Awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Perry-Smith LLP

Sacramento, California
December 8, 2009



MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2009

Governmental Accounting Standards Board (GASB) Statements 34/35

Marin Community College District (the District) is now in its seventh year of complying with and preparing financial reports in accordance with GASB Statements No. 34/35, "*Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*," issued in November 1999. The following discussion and analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2009 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 District's financial statements beginning on page 10, and the notes to the basic financial statements beginning on page 16.

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

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

- Statement of Net Assets
- Statement of Revenue and Expenses and Change in Net Assets
- Statement of Cash Flows

Financial Highlights

- Marin County property values and local housing sales continued to rise, moving the District further into "Basic Aid" as receipts of local property taxes and enrollment fees exceeded the State's computational revenues under SB 361 for 2008-09 by about \$14.3 million. SB 361, enacted as part of the 2006 Budget Act, implemented major reforms to improve the equity and transparency of the California Community Colleges funding model. SB 361 further established a funding model that would provide growth funding for credit courses at a uniform rate across the CCC system, thereby ensuring that funding remained equalized in the future. The funding model starts with a college/district's base allocation but its primary basis for calculating the revenue limit remains the Full-Time Equivalent Students (FTES).
- Fiscal year 2008-09 ended significantly better than originally budgeted due to additional revenue collections and lower spending. Unrestricted revenues were about \$1.3 million higher, principally from higher property taxes; expenditures were approximately \$368,000 lower than budgeted, resulting in revenues exceeding expenditures by \$446,000. Expenditure savings came primarily from unfilled but budgeted positions and related benefits. The year ended with reserve levels at 11.1%.
- FTES totaled 4,639 representing a 4.1% increase over the prior fiscal year. For the past few years, the District instituted a comprehensive enrollment management program to improve student access, strengthen outreach, expand marketing efforts, and broaden class offerings.

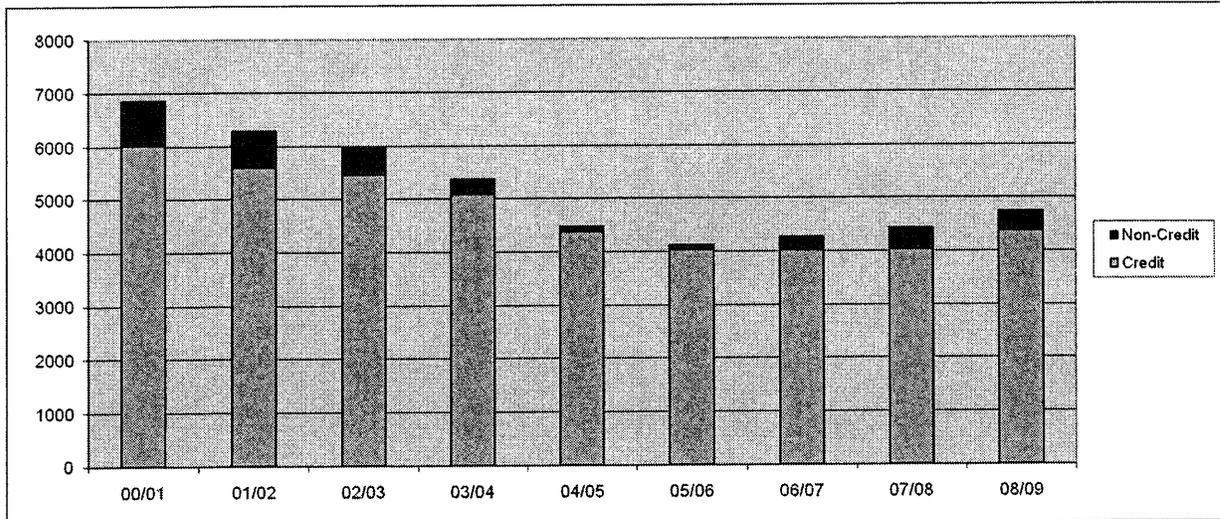
MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2009

Financial Highlights (Continued)

**FTES Statistics
1999/00 – 2007/08**



- Net costs for employee compensation declined about 1.7% compared to the prior year actual expenditures. Faculty salaries decreased 7.5% resulting primarily from an arbitration settlement retroactive to fiscal year 2004-05 that was accrued in 2007-08. Classified salaries increased 4.7% from step increases and filling vacant positions. Administrators salaries decreased 2.8% due to vacant positions. Benefits costs increased about 3.3%, primarily driven by increases in medical benefits.
- Major milestones achieved in the District's Capital Improvement and Modernization Program included:
 - Construction neared completion on one major project on the Kentfield campus (Diamond PE Center) and started on two others on the Indian Valley campus (Trans Tech and Main Building).
 - Designs for three major building projects (Kentfield) were submitted to DSA for Plan Check (Science Building, Fine Arts and Performing Arts).
 - Swing Space for the Trans Tech project was completed and is occupied.
 - Planning continued for Science, Fine Arts, Dance and Health Services swing space (Kentfield).
 - Geothermal projects were completed at both IVC and Kentfield campuses.
 - A photovoltaic array was constructed in the parking lot of the Diamond PE Center (Kentfield).
 - Multiple infrastructure projects have been started and/or finished at both campuses.
- The first issuance of \$75 million in bonds was completed in April 2005. A second issuance of \$75 million was issued pursuant to the terms of a public sale in February 2009.
- The District provided Financial Aid to over 3,400 qualifying students this year translating to almost \$7.5 million in aid. This aid is provided through grants, loans, and work study from the Federal Government, the State Chancellor's Office and local funding.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2009

Statement of Net Assets

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

Condensed financial information is as follows:
(In Thousands)

NET ASSETS

	2009	2008	% Change
Current Assets			
Cash and Cash Equivalents	\$ 12,353	\$ 12,859	(3.93)%
Other Current Assets	2,178	1,202	81.20 %
Total Current Assets	14,531	14,061	3.34 %
Non-Current Assets			
Restricted Cash and Cash Equivalents	90,433	57,253	57.95 %
Prepaid Expenses	1,634	466	250.64 %
Capital Assets, Net of Depreciation	91,502	58,115	57.45 %
Total Non-Current Assets	183,569	115,834	58.48 %
Total Assets	198,100	129,895	52.51 %
Current Liabilities			
Accounts Payable and Accrued Liabilities	8,351	10,122	(17.50)%
Deferred Revenues	3,753	2,565	46.32 %
Claims Liability	86	80	6.98 %
Amounts Held on Behalf of Others	854	814	4.91 %
Long-Term Liabilities – Current Portion	544	6,342	(91.42)%
Total Current Liabilities	13,588	19,923	(31.80)%
Non-Current Liabilities			
Long-Term Liabilities	140,519	64,085	119.27 %
Total Liabilities	154,107	84,008	83.44 %
Net Assets			
Invested in Capital Assets Restricted for Expendable Purposes	39,903	34,897	14.35 %
Unrestricted	1,338	5,149	(74.01)%
	2,752	5,841	(52.88)%
Total Net Assets	\$ 43,993	\$ 45,887	(4.13)%

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2009

Statement of Net Assets (Continued)

- The \$470,000 net increase in "Total Current Assets" is due to an increase in general fund receivables offset by reductions in unrestricted cash and prepaid expenditures.
- The net increase in restricted cash of \$33.2 million relates primarily to the Measure C bond issue offset by construction spending and repayment of long-term debt obligations.
- The net increase in capital assets of over \$33 million represents additions to depreciable assets, net of actual depreciation of \$2,085,000 for 2008-09. Included in this category are the net values of buildings, land and equipment. The capitalization threshold was established at \$5,000 or higher (original acquisition cost).
- The \$1.8 million net decrease in Accounts Payable and Accrued Liabilities principally relates to a \$2.3 million UPM Retiree Savings liability that was paid and a \$500,000 decrease in trade payables, offset by accrued interest.
- A reduction in the current portion of long-term liabilities relates to the lower upcoming debt repayment of the underlying bond indenture; the increase in long-term liabilities reflects a \$75 million bond issue offset by debt payments made.
- Net assets, previously reported as "fund balance" under the old reporting model, includes the value of all capital assets (net of accumulated depreciation).
- Restricted and/or reserved amounts include reserve for encumbrances, special reserves, capital projects reserves, inventories and prepaid items. The decrease in "Restricted for expendable purposes", relate to various scheduled project expenditures.
- "Unrestricted net assets" reflects the uncommitted balance for all funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2009

Statement of Revenues, Expenses and Change in Net Assets

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

Operating Results

For the Years Ended June 30, 2008 and 2007

(In Thousands)

	2009	2008	% Change
Operating Revenues			
Tuition and fees	\$ 3,745	\$ 3,815	(1.83)%
Grants and contracts	8,103	7,839	3.37 %
Total Operating Revenues	<u>11,848</u>	<u>11,654</u>	<u>1.66 %</u>
 Operating Expense			
Salaries and benefits	43,283	44,011	(1.65)%
Supplies and maintenance	11,518	9,656	19.28 %
Depreciation	2,085	1,991	4.72 %
Total Operating Expenses	<u>56,886</u>	<u>55,658</u>	<u>2.21 %</u>
Loss from Operations	<u>(45,038)</u>	<u>(44,001)</u>	<u>2.35 %</u>
 Nonoperating Revenues and (Expenses)			
State apportionment	2,149	2,230	(3.63)%
Property taxes	39,371	37,841	4.04 %
State revenues	616	653	(5.67)%
Investment income	1,263	2,855	(55.76)%
Interest expense on capital asset related debt	(3,964)	(3,154)	25.68 %
Other non-operating revenues	1,039	1,467	(29.18)%
Total Non-Operating Revenues	<u>40,474</u>	<u>41,892</u>	<u>(3.38)%</u>
 Other Revenues			
State and local capital income	40	39	2.56 %
Property taxes	2,629	8,974	(70.70)%
 (Decrease) Increase in Net Assets	<u>\$ (1,895)</u>	<u>\$ 6,901</u>	<u>(127.46)%</u>

- Operating revenues, tuition and enrollment fees are consistent with prior year.
- As reported in the statement of revenues, expenses and change in net assets on page 12 of this report, the cost of all the District's operational activities this year was \$56,886,000 an increase of approximately 2.2% compared to that of the prior year.
- Expenses for 2008-09 include depreciation of the District's plant and equipment of approximately \$2,085,000.
- Over 76% of all operating funds were directed to salary and benefit costs, slightly lower than the previous year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2009

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

- Non-operating revenue and expense remained consistent with prior year. Decreases in investment income resulted from the decline in interest rates but were offset by increases in property taxes.
- General Fund property tax revenues increased about \$1.5 million or 4.0% over the prior year. The ad valorem taxes collected in the bond redemption fund totaled \$2.6 million. The ad valorem taxes fluctuate because they are collected based on the need to repay the bond principal.

Statement of Cash Flows

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

(In Thousands)

	2009	2008
Cash (used in) provided by:		
Operating activities	\$ (\$45,399)	\$ (\$40,982)
Non-capital financing activities	46,330	51,234
Capital and related financing activities	30,432	(28,876)
Investing activities	1,311	2,855
Net increase (decrease) in cash	32,674	(15,769)
Cash – beginning of fiscal year	70,112	85,881
Cash – end of fiscal year	\$ 102,786	\$ 70,112

- Operating activities includes tuition and fees, grants, and operating payments. The increase in cash used for operating activities is primarily due to bond modernization program that has been ramping up.
- Representing the largest cash in-flow, non-capital financing activities, includes property taxes, enrollment fees, State apportionments, and local revenues.
- Construction projects and capital debt are reported in capital and related financing activities. Capital related financing activities relate to bond issuances and redemptions. In 2008-09, an additional \$75 million in bonds were issued.
- 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2009

Factors That May Affect the Future

- For the remainder of 2009-10 the State is still in the midst of a fiscal crisis. The enacted State budget is based on many favorable assumptions and one-time solutions and fails to provide any meaningful long-term solutions to the structural imbalance. Many view the spending plan as simply pushing the problems into next year. Forecasts for 2010-11 anticipate another very challenging budget year and it is expected that the Department of Finance is preparing a range of budget tightening options for the Governor to consider in building the 2010-11 budget proposal.
- Student enrollment fees were reduced in 2006-07 from \$26/unit to \$20/unit and remained at \$20/unit through 2008-09. For 2009-10, student enrollment fees were increased to \$26/unit which has the potential to negatively impact enrollment. However, with the current state budget crisis, UC's, CSU's and other community colleges are reducing enrollment and class offerings which may offset any potential negative impact from the increase in enrollment fees for MCCD. Additionally, the current economy and high unemployment may increase enrollment in community colleges as unemployed workers go back to school for training in a new vocation or to upgrade their skills.
- Reserves were budgeted at 11.6% of General Fund Unrestricted expenditures in the 2009-10 Adoption Budget and the District will strive to align reserve levels in accordance with Board goals to increase reserve levels to 17%.

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2009

ASSETS

Current assets:	
Cash and cash equivalents (Note 2)	\$ 12,352,996
Accounts receivable (Note 3)	2,143,500
Prepaid expenses	<u>34,204</u>
Total current assets	<u>14,530,700</u>
Noncurrent assets:	
Restricted cash and cash equivalents (Note 2)	90,433,526
Prepaid expenses	1,633,640
Capital assets, net (Note 4)	<u>91,502,173</u>
Total noncurrent assets	<u>183,569,339</u>
Total assets	<u>198,100,039</u>

LIABILITIES

Current liabilities:	
Accounts payable	8,351,378
Deferred revenue (Note 5)	3,753,122
Claims liability (Note 8)	85,729
Amounts held in trust (Note 2)	854,466
Compensated absences payable – current portion	62,050
Long-term debt - current portion (Note 6)	<u>481,584</u>
Total current liabilities	<u>13,588,329</u>
Noncurrent liabilities:	
Compensated absences payable – noncurrent portion	1,175,030
Premium on general obligation bonds (Note 6)	4,473,206
Long-term debt - noncurrent portion (Note 6)	<u>134,870,539</u>
Total noncurrent liabilities	<u>140,518,775</u>
Total liabilities	<u>154,107,104</u>

Commitments and contingencies (Note 11)

NET ASSETS

Invested in capital assets, net of related debt	39,903,084
Restricted for debt service	1,338,203
Unrestricted	<u>2,751,648</u>
Total net assets	<u>\$ 43,992,935</u>

The accompanying notes are an integral part of these financial statements.

MARIN COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT –
COLLEGE OF MARIN FOUNDATION
(A Nonprofit Organization)

STATEMENT OF NET ASSETS

June 30, 2009

ASSETS

Cash and cash equivalents (Note 2)	\$ 340,971
Investments (Note 2)	2,626,937
Accounts receivable	1,150
Prepaid expenses	<u>1,637</u>
Total assets	<u>2,970,695</u>

LIABILITIES

Accounts payable and accrued liabilities	15,687
Grants payable	<u>63,160</u>
Total liabilities	<u>78,847</u>

NET ASSETS

Unrestricted	(52,831)
Temporarily restricted	<u>2,944,679</u>
Total net assets	<u>\$ 2,891,848</u>

The accompanying notes are an integral
part of these financial statements.

MARIN COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

For the Year Ended June 30, 2009

Revenues:	
Operating revenues:	
Tuition and fees	\$ 4,514,917
Less: Scholarship discounts and allowances	<u>(770,153)</u>
Net tuition and fees	3,744,764
Grants and contracts, noncapital:	
Federal	4,141,205
State	<u>3,962,121</u>
Total operating revenues	<u>11,848,090</u>
Expenses:	
Operating expenses (Note 13):	
Salaries and benefits (Notes 8, 9 and 10)	43,283,203
Supplies, materials and other operating expenses and services	11,489,574
Equipment, maintenance and repairs	28,824
Depreciation (Note 4)	<u>2,084,936</u>
Total operating expenses	<u>56,886,537</u>
Loss from operations	<u>(45,038,447)</u>
Non-operating revenues (expenses):	
State apportionment, non capital	2,148,730
Local property taxes (Note 7)	39,370,825
State taxes and other revenues	616,581
Investment income, non-capital	1,263,716
Interest expense on capital asset-related debt, net	(3,964,393)
Other non-operating revenues	<u>1,038,731</u>
Total non-operating revenues (expenses)	<u>40,474,190</u>
Loss before capital revenues	<u>(4,564,257)</u>
Capital revenues:	
Grants and gifts, capital	39,750
Property taxes (Note 7)	<u>2,629,862</u>
Total capital revenues	<u>2,669,612</u>
Decrease in net assets	(1,894,645)
Net assets – beginning of year	<u>45,887,580</u>
Net assets – end of year	<u>\$ 43,992,935</u>

The accompanying notes are an integral part of these financial statements.

MARIN COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT –
COLLEGE OF MARIN FOUNDATION
(A Nonprofit Organization)

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

For the Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:				
Contributions	\$ 37,614	\$ 711,548		\$ 749,162
Interest and dividend income	6,498	(307,702)		(301,204)
Other operating income	121,065	(109,210)		11,855
Net assets released from restrictions by payments	<u>614,232</u>	<u>(614,232)</u>		
Total revenues	<u>779,409</u>	<u>(319,596)</u>		<u>459,813</u>
Expenses:				
Grants and related activities	618,500			618,500
Salaries and benefits	100,033			100,033
Professional services	112,302			112,302
Other expenses	<u>18,100</u>			<u>18,100</u>
Total expenses	<u>848,935</u>			<u>848,935</u>
Decrease in net assets	<u>(69,526)</u>	<u>(319,596)</u>		<u>(389,122)</u>
Net assets, beginning of year, as previously stated	16,695	440,251	\$ 2,824,024	3,280,970
Cumulative change in accounting principle (Note 1)		<u>2,824,024</u>	<u>(2,824,024)</u>	
Net assets, beginning of year, as restated	<u>16,695</u>	<u>3,264,275</u>		<u>3,280,970</u>
Net assets, end of year	<u>\$ (52,831)</u>	<u>\$ 2,944,679</u>	<u>\$ -</u>	<u>\$ 2,891,848</u>

The accompanying notes are an integral
part of these financial statements.

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2009

Cash flows from operating activities:	
Tuition and fees	\$ 3,828,832
Federal grants and contracts	3,889,379
State grants and contracts	4,056,284
Local grants and contracts	(434,047)
Payments to employees	(46,271,562)
Payments to students, suppliers and vendors	(10,507,978)
Other receipts	<u>40,418</u>
Net cash used in operating activities	<u>(45,398,674)</u>
Cash flows from noncapital financing activities:	
State appropriations	2,148,730
Local property taxes	42,000,687
State taxes and other revenues	569,700
Other non-operating revenues	<u>1,610,656</u>
Net cash provided by noncapital financing activities	<u>46,329,773</u>
Cash flows from capital and related financing activities:	
Local revenue for capital purposes	39,750
Purchase of capital assets	(36,120,020)
Principal paid on capital debt	(6,286,047)
Interest paid on capital debt, net	(2,995,227)
Proceeds from capital debt	75,000,000
Premium on capital debt	1,960,485
Issuance costs on capital debt	<u>(1,166,674)</u>
Net cash provided by capital and related financing activities	<u>30,432,267</u>
Cash flows provided by investing activities:	
Interest income	<u>1,310,727</u>
Net increase in cash and cash equivalents	32,674,093
Cash and cash equivalents, beginning of year	<u>70,112,429</u>
Cash and cash equivalents, end of year	<u>\$ 102,786,522</u>
Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (45,038,447)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	2,084,936
Changes in assets and liabilities:	
Receivables, net	(691,385)
Prepaid expenses	21,841
Accounts payable	(2,086,395)
Deferred revenue	183,743
Amounts held in trust	40,418
Compensated absences	<u>86,615</u>
Net cash used in operating activities	<u>\$ (45,398,674)</u>

The accompanying notes are an integral part of these financial statements.

MARIN COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT –
COLLEGE OF MARIN FOUNDATION
(Nonprofit Organization)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2009

Cash flows from operating activities:	
Decrease in net assets	\$ (389,122)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Increase in accounts receivable	(1,150)
Increase in prepaid expenses	(4)
Increase in accounts payable and accrued liabilities	8,423
Increase in grants payable	<u>3,423</u>
Net cash used in operating activities	<u>(378,430)</u>
Cash flows provided by investing activities:	
Decrease in investment securities	<u>115,994</u>
Net decrease in cash and cash equivalents	(262,436)
Cash and cash equivalents, beginning of year	<u>603,407</u>
Cash and cash equivalents, end of year	<u><u>\$ 340,971</u></u>

The accompanying notes are an integral
part of these financial statement.

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Marin Community College District (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) Statement No. 14. The District is classified as a state instrumentality under Internal Revenue Code Section 115 and is therefore exempt from federal taxes.

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and GASB Statement 14 as amended by GASB Statement 39. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. The District identified the College of Marin Foundation (Foundation) as a potential component unit.

The Foundation is a nonprofit, tax-exempt organization dedicated to providing financial benefits generated from fundraising efforts and investments earnings to the District. The funds contributed by the Foundation to the District are significant to the District's financial statements. The District applied the criteria for identifying component units in accordance with GASB Statement 39 and, therefore, the District has classified the Foundation as a component unit that will be discretely presented in the District's financial statements.

Basis of Presentation

GASB released Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" in June 1999, which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," which applies the new reporting standards of GASB Statement No. 34 to public colleges and universities. The GASB then amended those statements in June 2001 with the issuance of GASB Statements No. 37 and No. 38. The District adopted and applied these new standards beginning in 2002-03 as required. In May 2002, the GASB released Statement No. 39, "Determining Whether Certain Organizations Are Component Units," which amends GASB Statement 14, paragraphs 41 and 42, to provide guidance for determining and reporting whether certain organizations are component units. The District adopted and applied this standard for the 2003-04 fiscal year as required. The District now follows the financial statement presentation required by GASB Statements No. 34, 35, 37, 38 and 39. This presentation provides a comprehensive, entity-wide perspective of the District's assets, cash flows, and replaces the fund-group perspective previously required.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Under this model, the District's financial statements provide a comprehensive one-line look at its financial activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. All significant intra-agency transactions have been eliminated.

The Foundation's financial statements are prepared on the accrual basis of accounting. Recognition of contributions is dependent upon whether the contribution is restricted or unrestricted. Net assets are classified on the Statement of Net Assets as unrestricted, temporarily restricted or permanently restricted net assets based on the absence or existence of donor-imposed restrictions.

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

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

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

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

Fair Value of Investments

The District records its investment in Marin County Treasury at fair value. Changes in fair value are reported as revenue in the Statement of Revenues, Expenses and Change in Net Assets. The fair value of investments including the Marin County Treasury external investment pool at June 30, 2009 approximated their carrying value.

The Foundation's investments are valued at fair market value based upon quoted market prices, when available, or estimates of fair value in the Statement of Net Assets and unrealized and realized gains and losses are included in the Statement of Revenues, Support, Expenses and Change in Net Assets.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable 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 does not record an allowance for doubtful accounts. When receivables are determined to be uncollectable, a direct write-off is recorded.

Capital Assets

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

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

The District evaluates capital assets for financial impairment as events or changes in circumstances indicate that the carrying amounts of such assets may not be fully recoverable.

Compensated Absences

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

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

Deferred Revenue

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The District's net assets are classified as follows:

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

Restricted net assets – expendable: Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net assets – nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose. Although the Governing Board may designate these funds for special purposes, the funds remain unrestricted.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to utilize available restricted resources, followed by unrestricted resources.

The Foundation's net assets are classified as follows:

Unrestricted: Unrestricted net assets consist of all resources of the Foundation, which have not been specifically restricted by a donor.

Temporarily restricted: Temporarily restricted net assets consist of cash and other assets received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Revenue, Expense, and Change in Net Assets as net assets released from restriction.

Permanently restricted: Permanently restricted net assets are nonexpendable net assets consisting of endowment and similar type funds in which the donor has stipulated as condition of the gift, that the principal be maintained in perpetuity.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

In August 2008, the FASB issued FASB Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to and Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FSP FAS 117-1), which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. In 2008, the State of California adopted UPMIFA, which is effective beginning January 1, 2009. As a result of the adoption of UPMIFA, the Foundation has reclassified net assets previously stated as permanently restricted to temporarily restricted as the Foundation has determined that the corpus is not permanently restricted. The following disclosures are made as required by FSP FAS 117-1.

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, 2009 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 an accounts and claims payable liability and the balance of the estimated liability is reflected as a current liability in the Internal Service Fund.

State Apportionments

Certain current year apportionments from the state are based on various financial and statistical information of the previous year. Prior year corrections due to the recalculation in February 2009 will be recorded in the year completed by the state.

Classification of Revenue

The District has classified its revenues as either operating or nonoperating revenues. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35 including state appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) most federal, state and local grants and contracts and federal appropriations, and (3) interest on institutional student loans.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenue (Continued)

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources described in GASB Statement No. 35, such as state appropriations and investment income.

Scholarship Discounts and Allowances

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

New Financial Accounting Pronouncements

Subsequent Events

In May 2009, the Financial Accounting Standards Board issued SFAS No. 165, *Subsequent Events* (SFAS 165). Under SFAS 165, entities are required to evaluate events and transactions that occur after the balance sheet date but before the date the financial statements are issued, or available to be issued in the case of non-public entities. SFAS 165 requires entities to recognize in the financial statements the effect of all events or transactions that provide additional evidence of conditions that existed at the balance sheet date, including the estimates inherent in the financial preparation process. Entities shall not recognize the impact of events or transactions that provide evidence about conditions that did not exist at the balance sheet date but arose after that date. SFAS 165 also requires entities to disclose the date through which subsequent events have been evaluated. SFAS 165 was effective for interim and annual reporting periods ending after June 15, 2009. The Foundation adopted the provisions of SFAS 165 for the year ended June 30, 2009, as required, and adoption did not have a material impact on the Foundation's financial statements taken as a whole. The Foundation evaluated all events or transactions that occurred from June 30, 2009 to December 8, 2009, the date the Foundation issued these financial statements.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Financial Accounting Pronouncements (Continued)

Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which defines and establishes a framework for measuring fair value used in FASB pronouncements issued by FASB that require or permit fair value measurement. This statement expands disclosures using fair value to measure assets and liabilities in periods subsequent to the period of initial recognition. SFAS No. 157 is effective for the Foundation's financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years. The Foundation adopted this statement on July 1, 2008. The impact of adoption was not material to the Foundation's financial condition or results of operations. See Note 2 – Cash and Cash Equivalents and Investments.

Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active

In October 2008, the FASB issued FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*. The FSP clarifies the application of SFAS No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The FSP is effective immediately, and includes prior period financial statements that have not yet been issued, and therefore the Foundation is subject to the provision of the FSP effective immediately. The impact of adoption was not material to the Foundation's financial condition or results of operations.

Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly

In April 2009, the FASB issued FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, which provides additional guidance for estimating fair value in accordance with SFAS No. 157 when the volume and level of activity for the asset or liability have decreased significantly. FSP FAS 157-4 also provides guidance on identifying circumstances that indicate a transaction is not orderly. The provisions of FSP FAS 157-4 are effective for the Foundation's year ending on June 30, 2009. The impact of adoption was not material to the Foundation's financial condition or results of operations. See Note 2 – Cash and Cash Equivalents and Investments.

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

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

District cash and cash equivalents at June 30, 2009, consisted of the following:

Pooled Funds:	
Cash in County Treasury	\$ 100,935,603
Deposits:	
Cash on hand and in banks	494,827
Cash in revolving account	20,009
Cash held by Fiscal Agent	<u>1,336,083</u>
Total cash and cash equivalents	<u>102,786,522</u>
Less: restricted cash and cash equivalents:	
Cash in County Treasury	88,242,977
Cash held by Fiscal Agent	1,336,083
Cash held in trust (agency funds)	<u>854,466</u>
Total restricted cash and cash equivalents	<u>90,433,526</u>
Net cash and cash equivalents	<u>\$ 12,352,996</u>

Foundation cash, cash equivalents and investments at June 30, 2009 consisted of the following:

Cash in banks:	
Restricted by donors	<u>\$ 340,971</u>
Investment in mutual funds and debt instruments	<u>\$ 2,626,937</u>

Cash in County Treasury

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

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

The District's deposits in the fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The Marin County Treasurer has indicated that there are no derivatives in the pool as of June 30, 2009.

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

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash with Fiscal Agent

Cash with Fiscal Agent of \$1,336,083 represents amounts held in the District's name with third party custodians for future construction projects and repayment of long-term liabilities.

Cash Held in Trust

Cash held in trust of \$854,466 relates to agency funds held by the District on behalf of others.

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 market 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.

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2009, the carrying amount of the District's cash on hand and in banks was \$565,342 and the bank balance was \$925,131. The bank balance amount insured by the FDIC was \$275,674.

The Foundation maintains substantially all of its cash in banks and are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2009, the carrying amount of the Foundation's cash in banks was \$340,971 and the bank balance was \$554,968. The bank balance amount insured by the FDIC was \$250,000.

Credit Risk

Under provision of the District and Foundation's policies and in accordance with Sections 53601 and 53602 of the California Government code, the District and Foundation 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

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

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Interest Rate Risk

The District and Foundation'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, 2009, the District and Foundation had no significant interest rate risk related to cash and investments held.

Concentration of Credit Risk

The District and Foundation do not place limits on the amount they may invest in any one issuer. At June 30, 2009, the District and Foundation had no concentration of credit risk.

Foundation Investments

The following presents information about the Foundation's assets and liabilities measured at fair value on a recurring basis as of June 30, 2009, and indicates the fair value hierarchy of the valuation techniques utilized by the Foundation to determine such fair value based on the hierarchy:

Level 1 – Quoted market prices or identical instruments traded in active exchange markets.

Level 2 – Significant other observable inputs such as quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a reporting entity's own assumptions about the methods that market participants would use in pricing an asset or liability.

The Foundation is required or permitted to record the following assets at fair value on a recurring basis:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment securities	<u>\$ 2,626,937</u>	<u>\$ 235,618</u>	<u>\$ 2,391,319</u>	<u>\$ -</u>

The fair value of investment securities classified as Level 1 equals quoted market prices. Certain investments were classified as Level 2 as comparable investment securities were used to determine fair value measurements.

The Foundation had no non recurring assets and no liabilities at June 30, 2009 which were required to be disclosed using the fair value hierarchy.

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

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2009 are summarized as follows:

Federal	\$	460,378
State		354,188
Local and other		<u>1,328,934</u>
	\$	<u><u>2,143,500</u></u>

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2008	Additions	Disposals and Transfers	Balance June 30, 2009
Land	\$ 3,119,170			\$ 3,119,170
Land improvements	3,214,766		\$ 584,122	3,798,888
Building improvements	32,764,476	\$ 285,612	1,291,798	34,341,886
Machinery and equipment	9,089,183	272,337		9,361,520
Construction-in-progress	<u>33,419,978</u>	<u>34,914,489</u>	<u>(1,875,920)</u>	<u>66,458,547</u>
Total	<u>81,607,573</u>	<u>35,472,438</u>		<u>117,080,011</u>
Less accumulated depreciation:				
Land improvements	1,763,581	94,394		1,857,975
Building improvements	18,102,406	697,289		18,799,695
Machinery and equipment	<u>3,626,915</u>	<u>1,293,253</u>		<u>4,920,168</u>
Total	<u>23,492,902</u>	<u>2,084,936</u>		<u>25,577,838</u>
Capital assets, net	<u>\$ 58,114,671</u>	<u>\$ 33,387,502</u>	<u>\$ -</u>	<u>\$ 91,502,173</u>

5. DEFERRED REVENUE

Deferred revenue consists of the following at June 30, 2009:

Deferred federal and state revenue	\$	1,123,756
Deferred tuition and student fees		620,952
Deferred local grant revenue and other		<u>2,008,414</u>
Total deferred revenue	\$	<u><u>3,753,122</u></u>

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

6. LONG-TERM DEBT

General Obligation Bonds

In March, 2009, the District issued Series B, 2004 General Obligation Bonds aggregating \$75,000,000. The bonds mature through 2038 and bear interest at rates ranging from 3% to 5%. The proceeds from the issuance will be used to finance the acquisition, construction and modernization of certain District property and facilities. Resulting from the bond issuance, the District received a premium of \$1,982,513 and paid issuance costs of \$1,180,240. The premium and issuance costs are amortized over the life of the bond repayment. At June 30, 2009, the District has unamortized premiums and issuance costs of \$1,960,485 and \$1,166,674, respectively.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010		\$ 2,468,447	\$ 2,468,447
2011	\$ 3,500,000	4,168,691	7,668,691
2012	850,000	3,387,738	4,237,738
2013	5,000	3,374,913	3,379,913
2014	830,000	3,362,388	4,192,388
2015-2019	5,475,000	16,353,963	21,828,963
2020-2024	8,210,000	14,878,688	23,088,688
2025-2029	12,175,000	12,401,813	24,576,813
2030-2034	18,325,000	8,680,400	27,005,400
2035-2039	25,630,000	3,381,229	29,011,229
	<u>\$ 75,000,000</u>	<u>\$ 72,458,270</u>	<u>\$ 147,458,270</u>

In April 2005, the District issued Series A, 2004 General Obligation Bonds aggregating \$75,000,000. The bonds mature through 2030 and bear interest at rates ranging from 3% to 5%. The proceeds from the issuance will be used to finance the acquisition, construction and modernization of certain District property and facilities. Resulting from the bond issuance, the District received a premium of \$3,015,265 and paid issuance costs of \$559,158. The premium and issuance costs are amortized over the life of the bond repayment. At June 30, 2009, the District has unamortized premiums and issuance costs of \$2,512,721 and \$465,966, respectively.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 325,000	\$ 2,757,850	\$ 3,082,850
2011	460,000	2,744,388	3,204,388
2012	600,000	2,715,738	3,315,738
2013	860,000	2,673,821	3,533,821
2014	850,000	2,631,279	3,481,279
2015-2019	7,910,000	12,126,415	20,036,415
2020-2024	14,895,000	9,232,035	24,127,035
2025-2029	24,795,000	4,262,722	29,057,722
2030	6,485,000	24,319	6,509,319
	<u>\$ 57,180,000</u>	<u>\$ 39,168,567</u>	<u>\$ 96,348,567</u>

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

6. LONG-TERM DEBT (Continued)

Lease Revenue Bonds

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 40,000	\$ 37,326	\$ 77,326
2011	45,000	36,226	81,226
2012	55,000	34,876	89,876
2013	60,000	33,158	93,158
2014	65,000	31,133	96,133
2015-2019	465,000	397,733	862,733
2020-2024	783,970	908,083	1,692,053
2025-2029	821,936	1,890,491	2,712,427
2030-2033	604,928	1,893,912	2,498,840
	<u>\$ 2,940,834</u>	<u>\$ 5,262,938</u>	<u>\$ 8,203,772</u>

Energy Efficiency Revenue Bonds

In 1997, the District issued \$1,539,671 of Energy Efficiency Revenue Bonds. The bonds are issued through the State Public Works Board of the State of California, are interest free, and mature through 2011. The bond proceeds are being used to fund energy retrofitting projects throughout the District.

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2010	\$ 109,977
2011	<u>109,977</u>
	<u>\$ 219,954</u>

Capital Lease Obligations

The District has entered into various lease-purchase agreements for equipment under agreements which provide for title to pass upon expiration of the lease period.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 6,607	\$ 682	\$ 7,289
2011	<u>4,728</u>	<u>132</u>	<u>4,860</u>
	<u>\$ 11,335</u>	<u>\$ 814</u>	<u>\$ 12,149</u>

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

6. LONG-TERM DEBT (Continued)

Total Long-Term Debt

Year Ending June 30,	Principal	Interest	Total
2010	\$ 481,584	\$ 5,264,305	\$ 5,745,889
2011	4,119,705	6,949,437	11,069,142
2012	1,505,000	6,138,352	7,643,352
2013	925,000	6,081,892	7,006,892
2014	1,745,000	6,024,800	7,769,800
2015-2019	13,850,000	28,878,111	42,728,111
2020-2024	23,888,970	25,018,806	48,907,776
2025-2029	37,791,936	18,555,026	56,346,962
2030-2034	25,414,928	10,598,631	36,013,559
2035-2039	<u>25,630,000</u>	<u>3,381,229</u>	<u>29,011,229</u>
	<u>\$ 135,352,123</u>	<u>\$ 116,890,589</u>	<u>\$ 252,242,712</u>

Changes in long-term debt (excluding compensated absences) are as follows:

	General Obligation Bonds	Lease Revenue Bonds	Energy Efficiency Revenue Bonds	Capitalized Lease Obligations	Total
Balance, July 1, 2008	\$ 63,315,000	\$ 2,975,834	\$ 329,931	\$ 17,405	\$ 66,638,170
Additions	75,000,000				75,000,000
Principal payments	<u>6,135,000</u>	<u>35,000</u>	<u>109,977</u>	<u>6,070</u>	<u>6,286,047</u>
Balance, June 30, 2009	<u>\$132,180,000</u>	<u>\$ 2,940,834</u>	<u>\$ 219,954</u>	<u>\$ 11,335</u>	<u>\$135,352,123</u>

7. PROPERTY TAXES

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

8. RISK MANAGEMENT

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

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

8. RISK MANAGEMENT (Continued)

The dental and vision claims reserve activity for the years ended June 30, 2009 and 2008 is as follows:

	2009	2008
Liability balance, beginning of year	\$ 80,284	\$ 81,932
Claims and changes in estimates	695,420	641,133
Claims payments	(689,975)	(642,781)
Liability balance, end of year	\$ 85,729	\$ 80,284

9. EMPLOYEE RETIREMENT SYSTEMS

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

State Teachers' Retirement System (STRS)

Plan Description

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

The State Teachers' Retirement Plan (STRP), a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRP the employee is in, postretirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. Disability benefits of up to 90 percent of final compensation to members with five years of service. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB benefit plan is optional; however, if the employee selects the CB benefit plan and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

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

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active members of the DB Plan are required to contribute 8% of their salary while the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-09 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The district contribution rate for the CB Benefit Program is always a minimum of 4% with the sum of the district and employee contribution always being equal or greater than 8%.

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,568,599, \$1,417,750 and \$1,438,974, respectively and equal 100% of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the state. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements. In their most recent actuarial valuation of the DB Plan as of June 30, 2008, the independent actuaries for STRS determined that, at June 30, 2008, the actuarial value of the DB program's actuarial accrued liabilities exceeded the program's actuarial value of assets by \$22.5 billion. Based on this valuation, the current statutory contributions are sufficient to fund normal cost and amortize the actuarial unfunded obligation of \$22.5 billion by 2030. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors. In their most recent actuarial valuation of the CB Plan as of June 30, 2008, the independent actuaries for STRS determined that, at June 30, 2008, the actuarial value of the CB program's actuarial accrued assets exceeded the program's actuarial value of liabilities by \$861,000. The STRS management is continually evaluating the impact of market fluctuations on the assets of the CB Program. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors.

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

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees' Retirement System (CalPERS)

Plan Description

All full-time classified employees participate in the CalPERS, a multiple employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is less if the plan is coordinated with Social Security. Retirement after age 55 increases the monthly benefit percentage rate to a maximum of 2.5 percent at age 63. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation. The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

The District pays the active plan members required contribution of 7% of their salary, and the District also contributes an actuarially determined rate. The District's contribution rate to CalPERS for fiscal year 2002-03 was 2.894% beginning with the first pay period ending in July 2002; CalPERS then lowered the rate to 2.771% beginning with the first pay period ending in February 2003. On May 16, 2003, CalPERS approved a school employer contribution rate of 10.42% beginning with the first pay period that ends in July 2003. The required employer contribution rate for fiscal year 2008-2009 was 9.428% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2009, 2008 and 2007 were \$1,051,474, \$957,143 and \$843,411, respectively, and equaled 100 percent of the required contributions for each year. The actuarial assumptions used as part of the June 30, 2001, actuarial valuation (the most recent actuarial information available) included (a) an 8.25% investment rate of return (net of administrative expense); (b) an overall growth in payroll of 3.75% annually; and (c) an inflation component of 3.5% compounded annually that is a component of assumed wage growth, and assumed future post-retirement cost of living increases. The actuarial value of pension fund assets was determined by using a technique to smooth the effect of short-term volatility in the market value of investments.

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

10. OTHER POSTEMPLOYMENT BENEFITS

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

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 Statement 45. 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 to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$	891,186
Interest on net OPEB obligation		-
Adjustment to annual required contribution		<u>-</u>
Annual OPEB cost (expense)		891,186
Contributions made		<u>(866,949)</u>
Increase in net OPEB obligation		24,237
Net OPEB obligation - beginning of year		<u>-</u>
Net OPEB obligation - end of year	<u>\$</u>	<u>24,237</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for and the two preceding years were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 891,186	97.3%	\$ 24,237

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

As of September 1, 2008, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$7,312,141, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,312,141. The covered payroll (annual payroll of active employees covered by the Plan) was \$7,412,365, and the ratio of the UAAL to the covered payroll was 99 percent.

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

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

In the September 1, 2008 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5 percent investment rate (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 included a 3 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009, was 13 years.

11. COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

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

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

11. COMMITMENTS AND CONTINGENCIES (Continued)

Contingent Liabilities (Continued)

The District has received federal and state funds for specific purposes that are subject to review and 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 on the District's financial position.

Construction Commitments

As of June 30, 2009, the District has approximately \$17 million in outstanding commitments on construction contracts.

12. JOINT POWERS AGREEMENTS

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

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

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

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

	June 30, 2008 <u>NCCCSIA</u>	June 30, 2009 <u>SELF</u>	June 30, 2008 <u>MSIA</u>	June 30, 2008 <u>SWACC</u>
Total assets	\$ 13,032,136	\$ 209,217,000	\$ 16,687,067	\$ 39,034,338
Total liabilities	\$ 7,479,422	\$ 161,555,000	\$ 14,386,801	\$ 19,175,367
Net assets	\$ 5,552,714	\$ 47,662,000	\$ 2,300,266	\$ 19,858,971
Total revenues	\$ 7,254,799	\$ 26,645,000	\$ 11,053,543	\$ 10,740,119
Total expenses	\$ 8,697,521	\$ 27,701,000	\$ 12,461,963	\$ 8,759,388
Change in net assets	\$ (894,605)	\$ (1,056,000)	\$ (1,408,420)	\$ 1,970,731

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

13. OPERATING EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2009.

<u>Functional Classifications</u>	<u>Salaries and Benefits</u>	<u>Supplies, Materials and Other Operating Expenses</u>	<u>Equipment, Maintenance and Repairs</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$18,117,858	\$ 365,881	\$ 220		\$18,483,959
Academic Support	4,259,711	440,919	108		4,700,738
Student Services	4,606,845	686,108	19		5,292,972
Operating and Maintenance of Plant	2,079,712	2,128,962	61		4,208,735
Institution Support	12,669,765	3,507,821	28,413		16,205,999
Community Support	976,988	289,850	1		1,266,839
Ancillary Services	572,324	111,189	2		683,515
Student Aid		3,958,844			3,958,844
Depreciation				\$ 2,084,936	2,084,936
Totals	<u>\$43,283,203</u>	<u>\$11,489,574</u>	<u>\$ 28,824</u>	<u>\$ 2,084,936</u>	<u>\$56,886,537</u>

14. SUBSEQUENT EVENT

On July 1, 2009, the District issued \$8,500,000 of Tax and Revenue Anticipation Notes (TRANS) maturing on June 30, 2010, with interest at 2% to provide for cash flow deficits during the fiscal year. The notes are a general obligation of the District and are payable solely from revenues and cash receipts generated by the District during the fiscal year ending June 30, 2010.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTAL INFORMATION**

Board of Trustees
Marin Community College District
Novato, California

We have audited the basic financial statements of Marin Community College District as of and for the year ended June 30, 2009, and have issued our report thereon dated December 8, 2009. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the California Community Colleges Contracted District Audit Manual, presented by the Chancellor's office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental financial and statistical information is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of Marin Community College District and includes the following schedules:

- Organization
- Schedule of Federal Financial Awards
- Schedule of State Financial Awards
- Schedule of Workload Measures for State General Apportionment
- Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Basic Financial Statements
- Notes to Supplemental Information

The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Perry-Smith LLP

December 8, 2009

MARIN COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2009

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, 2009 were composed of the following members:

BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Philip Kranenburg	President	2011
Annan Paterson	Vice President	2009
Carole Hayashino	Clerk	2011
Eva Long, Ph.D.	Trustee	2011
Barbara Dolan	Trustee	2009
James Namnath, Ph.D.	Trustee	2011
Wanden Treanor	Trustee	2009
Nathaniel Parker	Student Trustee	2010

DISTRICT ADMINISTRATION

Frances L. White, Ph.D.
Superintendent/President

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

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FEDERAL FINANCIAL AWARDS

For the Year Ended June 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Student Financial Aid Cluster:			
Federal College Work Study	84.003		\$ 265,398
Pell Grants	84.063		3,383,817
Federal Supplemental Educational Opportunity Grant	84.007		181,625
Vocation and Applied Technology Education Act	84.048		220,641
Academic Competitiveness Grant	84.375		2,600
Total U.S. Department of Education			4,054,081
<u>U.S. Department of Health and Human Services</u>			
Temporary Assistance for Needy Families (TANF)	93.558		16,795
Child Development Training Consortium	93.575		12,540
Foster Care Education	93.658		34,682
Early Childhood Mentor Program	84.405A		3,200
Total U.S. Department of Health and Human Services			67,217
<u>U.S. Department of Agriculture</u>			
Child Care Food Program	10.558		19,907
Total federal categorical awards and allowances			\$ 4,141,205

See accompanying notes to
supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2009

	Program Entitlements			Program Revenues				Program Expenditures
	Current Year	Prior Year Carryover	Total	Cash Received	Accounts Receivable	Deferred Revenue/Accounts Payable	Total	
Extended Opportunity Programs and Services	\$ 575,594	\$ 11,106	\$ 586,700	\$ 586,700		\$ 85,665	\$ 501,035	\$ 501,035
Cooperative Agencies Resources for Education	65,205		65,205	65,205		17,426	47,779	47,779
Disabled Student Programs & Services	1,362,426	3,282	1,365,708	974,800			974,800	974,800
TANF	14,751	2,793	17,544	16,824		721	16,103	16,103
Cal Works	214,197		214,197	214,197			214,197	214,197
Nursing - Career Technology Ed.		37,459	37,459	37,459			37,459	37,459
Proposition 20, Lottery-Instructional Supplies	62,041	162,912	224,953	165,166	\$ 62,041	146,738	80,469	80,469
Matriculation - Credit	361,307	756	362,063	362,063		19,266	342,797	342,797
Matriculation - Non-credit	136,838		136,838	136,838		43,689	93,149	93,149
Administrative 2% Enrollment Fee Waivers	13,911		13,911	13,911			13,911	13,911
Faculty/Staff Diversity	10,242	23,738	33,980	34,189		4,930	29,259	29,259
Faculty/Staff Development		11,325	11,325	11,325		11,325		
Nursing Capacity		136,501	136,501	136,501			136,501	136,501
Peace Officers Training	2,052	536	2,588	2,588		2,378	210	210
OTF - Transfers & Articulation	4,000	2,199	6,199	6,199		4,544	1,655	1,655
Telecommunications Tech. Infrastructure	36,036	18,867	54,903	54,903		3,409	51,494	51,494
Instructional Equipment & Library Materials		40,007	40,007	40,007		4,482	35,525	35,525
BAFP Administrative	185,771		185,771	185,771			185,771	185,771
Cal Grants	233,532		233,532	227,934	5,598		233,532	233,532
Scheduled Maintenance & Repair		100,000	100,000	100,000		100,000		
Basic Skills		196,840	196,840	196,840			96,840	96,840
Career Exploration	75,000		75,000	72,365			72,365	72,365
Foster Care Education	43,698		43,698	32,912	2,685		35,597	35,597
Hazardous Substance		34,238	34,238	34,238		34,238		
Total State Programs	\$ 3,396,601	\$ 782,559	\$ 4,179,160	\$ 3,708,935	\$ 70,324	\$ 578,811	\$ 3,200,448	\$ 3,200,448

See accompanying notes to supplemental information.

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

Annualized Attendance as of June 30, 2009

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession			
1. Noncredit	-		-
2. Credit	-		-
B. Summer Intersession			
1. Noncredit	34		34
2. Credit	345		345
C. Primary Terms			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	3,382		3,382
b. Daily Census Contact Hours	259		259
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	326		326
b. Credit	149		149
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	144		144
b. Daily Census Contact Hours	-		-
c. Noncredit Independent Study/Distance Education Courses	-		-
D. Total FTES	<u>4,639</u>	<u>-</u>	<u>4,639</u>

Supplemental Information:

E. In-Service Training Courses (FTES)	-		-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	301		301
b. Credit	281		281

CCFS 320 Addendum

CDCP Noncredit FTES	-		-
Centers FTES			
a. Noncredit ¹	-		-
b. Credit	-		-

¹ Including Career Development and College Preparation (CDCP) FTES

See accompanying notes to
supplemental information.

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

For the Year Ended June 30, 2009

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

See accompanying notes to
supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO SUPPLEMENTAL INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedules of Federal and State Financial Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. To comply with A-133 and state requirements, this schedule was prepared by the District. Differences exist between the revenues shown on the schedule and the general purpose financial statements for the following reasons:

- Various program revenues are recorded in the current year for prior year claims, related expenditures were incurred in prior years.
- Amounts reported as revenue may not represent final claim amounts, due to the timing of filing the final claims, and the closing of the District's records.

B - 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.

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

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

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
Marin Community College District
Novato, California

We have audited the basic financial statements of Marin Community College District for the year ended June 30, 2009, and have issued our report thereon dated December 8, 2009.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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

General Directives

Management Information System Implementation – State General Apportionment
Funding System

Administration

Apportionments – Apportionment for Instructional Service Agreements/Contracts
Apportionments – Residency Determination For Credit Courses
Apportionments – Concurrent Enrollment of K-12 Students In Community College Credit
Courses
Apportionments – Enrollment Fee
Apportionments – Students Actively Enrolled
Fiscal Operations – Salaries of Classroom Instructors (50 Percent Law)
Fiscal Operations – Gann Limit Calculation
Open Enrollment
Student Fees – Instructional Materials Fees and Health Fees

Student Services

Matriculation – Uses of Matriculation Funds
CalWorks – Use of State and Federal TANF Funding

Facilities

Scheduled Maintenance Program

**INDEPENDENT AUDITOR'S REPORT
ON STATE COMPLIANCE REQUIREMENTS**

(Continued)

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the Marin Community College District complied, in all material respects with the aforementioned requirements for the year ended June 30, 2009.

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

Perry-Smith LLP

Sacramento, California
December 8, 2009



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

Board of Trustees
Marin Community College District
Novato, California

We have audited the basic financial statements of Marin Community College District as of and for the year ended June 30, 2009 and have issued our report thereon dated December 8, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marin Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marin Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marin Community College District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marin Community College District's basic 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*.

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

Perry-Smith LLP

Sacramento, California
December 8, 2009



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Marin Community College District
Novato, California

Compliance

We have audited the compliance of Marin Community College District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Marin Community College District's major federal programs are identified in the accompanying schedule of Federal financial assistance. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Marin Community College District's management. Our responsibility is to express an opinion on Marin Community College District's compliance based on our audit.

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

In our opinion, Marin Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Marin Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Marin Community College District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

(Continued)

Internal Control Over Compliance (Continued)

A control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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

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

Perry-Smith LLP

Sacramento, California
December 8, 2009



FINDINGS AND RECOMMENDATIONS

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

June 30, 2009

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? _____ Yes X No
Significant deficiency(ies) identified not considered
to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements
noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:
Material weakness(es) identified? _____ Yes X No
Significant deficiency(ies) identified not considered
to be material weakness(es)? _____ Yes X None reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.003, 84.063, 84.007	Student Financial Aid Cluster

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

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

STATE AWARDS

Internal control over state programs:
Material weakness identified _____ Yes X No
Significant deficiency(ies) identified
not considered as material
weakness _____ Yes X No

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

MARIN COMMUNITY COLLEGE DISTRICT
SUMMARY OF FINDINGS AND RECOMMENDATIONS

June 30, 2009

INTERNAL CONTROLS

1. PAYROLL

Criteria

Best practices for internal control and safeguarding of assets.

Condition

Employee information input into the payroll system, based on reports received from Human Resources, is not reviewed by an individual independent of the system input. Also, timecards for Federal Work Study students are subsequently altered to only reflect 25 hours worked even if the student documented more hours.

Effect

Employee payroll records could be input at incorrect payroll amounts. Federal Work Study students may have worked more hours than they are paid for.

Cause

The District relied on the review performed at the County Office to identify any necessary corrections. To stay in compliance with District policy that states Federal Work Study students are to only be paid 25 hours per timecard, District personnel changed the timecards to reflect this maximum.

Fiscal Impact

Not determinable.

Recommendation

Data input by the payroll department should be reviewed by an employee independent of the input to ensure accuracy. All hours recorded on student timecards should be paid to the student. Any hours worked in excess of Federal Work Study limits should be paid from another funding source.

Corrective Action Plan

The Banner system implemented for fiscal year 2010 will require that HR enter the employee and salary information thus eliminating this issue. With Banner, PR will not have the ability to enter employee or salary information. The District will implement procedures to ensure there is appropriate documentation regarding the student's payment of the maximum of 25 hours per timecard from the Federal Work Study program.

MARIN COMMUNITY COLLEGE DISTRICT

SUMMARY OF FINDINGS AND RECOMMENDATIONS

(Continued)

June 30, 2009

INTERNAL CONTROLS (Continued)

2. BANK RECONCILIATIONS

Criteria

Best practices for internal control and safeguarding of assets.

Condition

The Cash in County Treasury account reconciliation was not performed and reviewed in a timely manner.

Effect

Funds could potentially be misappropriated or misstated.

Cause

Reconciliations for the Cash in County Treasury account for the months of January 2009 and February 2009 were not performed until May 22, 2009 and April 15, 2009, respectively.

Fiscal Impact

We are unable to determine the fiscal impact to the District.

Recommendation

Cash in County Treasury reconciliations should be performed by the Accountant and reviewed by the Director of Fiscal Services in a timely manner.

Corrective Action Plan

The District will perform reconciliations in the weeks immediately following month end.

MARIN COMMUNITY COLLEGE DISTRICT

SUMMARY OF FINDINGS AND RECOMMENDATIONS

(Continued)

June 30, 2009

INTERNAL CONTROLS (Continued)

2. CREDIT CARDS

Criteria

Best practices for internal control and safeguarding of assets.

Condition

The District does not have a formal authorization process for issuing credit cards. Furthermore, limited documentation is maintained at the District to support credit card issuance.

Effect

Funds could potentially be misappropriated or misstated.

Cause

The District has not implemented formalized authorization procedures. Furthermore, the only form of documentation that is maintained regarding credit card issuance is a photo copy of the credit card or a credit card statement.

Fiscal Impact

Not determinable.

Recommendation

We recommend that the District maintain documentation which supports the authorization of credit cards to District employees.

Corrective Action Plan

The District will implement a formalized credit card approval process.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

MARIN COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

June 30, 2009

Findings	Recommendations	Current Status	District Explanation if Not Fully Implemented
<p>1. Internal Controls – Capital Assets The District does not have established procedures to routinely verify the existence of capital assets purchased.</p>	<p>The District should develop procedures to routinely monitor and substantiate the existence of reported capital assets. The District should schedule routine periods in which different segments and locations of the District's capital assets are reviewed for existence.</p>	Implemented.	
<p>2. Internal Controls – Payroll Employee information input into the payroll system, based on reports received from Human Resources, is not reviewed by an individual independent of the system input.</p>	<p>Data input by the payroll department should be reviewed by an employee independent of the input to ensure accuracy.</p>	Not implemented.	See current year finding.