

MARIN COMMUNITY COLLEGE DISTRICT

COUNTY OF MARIN

NOVATO, CALIFORNIA

FINANCIAL STATEMENTS

WITH SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2010

AND

INDEPENDENT AUDITOR'S REPORT

MARIN COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION**

For the Year Ended June 30, 2010

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MARIN COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION**

For the Year Ended June 30, 2010

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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 (the "District") as of and for the year ended June 30, 2010, 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, 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 a report dated November 8, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting. 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) and the Required Supplementary Information, such as the Schedule of Other Postemployment Benefits Funding Progress are not required parts of the financial statements, but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain 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 Schedule of Expenditures of Federal 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
November 8, 2010



MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2010

Governmental Accounting Standards Board (GASB) Codification Section (Cod. Sec.) 2200.190-.191

Marin Community College District (the District) is now in its eighth year of complying with and preparing financial reports in accordance with GASB Cod. Sec. 2200.190-.191, "*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, 2010 and the intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial standing, this analysis should be read in conjunction with the entire Independent Auditor's Report, particularly the District's financial statements beginning on page 11, and the notes to the basic financial statements beginning on page 17.

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 2009-10 by about \$13.8 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 2009-10 ended better than originally budgeted attributable to lower spending despite lower than anticipated revenues. Unrestricted revenues were about \$254,000 lower, principally from lower state funding; expenditures were approximately \$264,000 lower than budgeted, resulting in revenues exceeding expenditures by \$10,000. Expenditure savings came primarily from unfilled but budgeted positions and related benefits. The year ended with reserve levels at 11.7%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

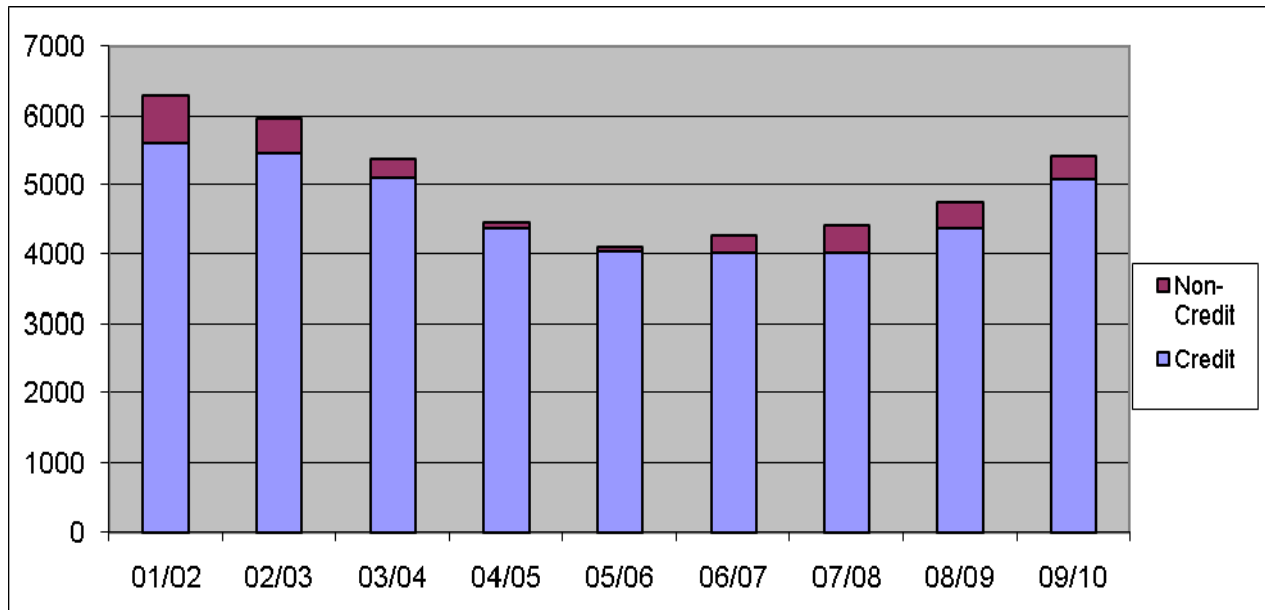
(Continued)

Fiscal Year Ending June 30, 2010

Financial Highlights (Continued)

- FTES totaled 5,582 representing a 20.3% increase over the prior fiscal year. A few years ago the District instituted a comprehensive enrollment management program to improve student access, strengthen outreach, expand marketing efforts, and broaden class offerings. The increase in enrollment is also attributable to the state of the economy and lack of state funding.

FTES Statistics
2001/02 – 2009/10



- Net costs for employee compensation declined about 1.1% compared to the prior year actual expenditures. The decline was attributable primarily to a reduction in classified salaries resulting from vacant positions, and benefits. 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.
- During Fiscal Year 2005-06, the District allocated \$1 million of its approximate \$6.9 million unfunded liability (fourth Actuarial Study updated September 2010) in an early application under Government Accounting Standards Board Cod. Sec. P50.108-.109, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, and transferred the monies into the Retiree Unfunded Medical Benefits fund. In fiscal year 2007-08, the District allocated an additional \$500,000 of its unfunded liability and allocated an additional \$500,000 in fiscal year 2009-10, for a total of \$2 million. However, since the District has not placed these funds in an irrevocable trust, the assets accumulated cannot offset the net other postemployment benefits obligation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2010

Financial Highlights (Continued)

- The District provided Financial Aid to over 4,000 qualifying students this year translating to about \$12.5 million in aid. This aid is provided through grants, loans, and workstudy from the Federal government, the State Chancellor's office, and local funding.

Capital Asset and Debt Administration

- On November 2, 2004 the voters of Marin County overwhelmingly passed Measure C, a \$249.5 million bond for facilities maintenance, job training and safety, passing with more than 60 percent of the vote, easily surpassing the required 55 percent. With the bond, the College has been to modernizing science labs, classrooms, and libraries; providing modern computer technology; upgrading fire safety, campus security, disabled access, energy conservation systems and electrical wiring for computer technology; and repairing, constructing, acquiring, and/or equipping classrooms, labs, sites and facilities. To that end, the District has retained the services of Swinerton Management & Consulting, Inc. as its Measure C Program Management/Construction Management firm. Swinerton has worked with the District's faculty, staff and students on reviewing facilities assessment documents, and the educational master plan which has formed the basis for the development of the Facilities Development and Master Plan.
- In April 2005, \$75 million in bonds were sold pursuant to the terms of a public sale. In February 2009, an additional \$75 million in bonds were sold pursuant to a public sale. All proceeds were delivered to the Marin County Treasury for credit of the District into its building fund.
- Major milestones achieved in the District's Capital Improvement and Modernization Program (2009/2010) included:
 - West Campus Bridge construction complete in September 2010
 - New Academic Center (formerly Gateway) began the design phase in September 2010
 - Science Math Central Plant Complex began construction in June 2010
 - SMCP Increment No 1 (underground utilities project) completed construction in September 2010
 - Diamond PE Center Renovation Ribbon Cutting Ceremony occurred on October 1, 2009
 - Performing Arts Modernization Project should receive DSA stamp out (ready for construction start) in November or December 2010
 - New Fine Arts Building Project began construction in July 2009; construction will be complete December 2010 and the building will be open for the Spring Semester 2011
 - Transportation Technology Complex Project at IVC Ribbon Cutting Ceremony occurred on May 13, 2010; the building was open and utilized by students for the Summer and Fall Semesters 2010
 - IVC Main Building Project will be complete in December 2010 with a Ribbon Cutting Ceremony scheduled for December 14, 2010; the building will be utilized by students in the Spring 2011 Semester
 - IVC Utilities Project (Geothermal Ground Loop system for Power Plant #2 renovation) – project will be complete in December 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2010

- The 2010-11 budget outlines approximately \$69.2 million in facilities renewal and modernization costs, including construction, architectural and civil, geotechnical and MEP engineering services, plus landscape architect, industrial hygienist, CEQA and energy consultants. Two modernization projects have been completed as well as various site improvement projects at both the Kentfield and Indian Valley campuses. Construction and modernization plans outlined for the upcoming fiscal year consist of the completion of the new Fine Arts building at the Kentfield campus, the new Main Building at the Indian Valley campus, plus the commencement of construction for the Science Math Central Plant building at Kentfield.
- Based on the 2010-11 planned construction and modernization projects of \$69.5 million, the District will need to plan the sale of another bond issue during 2010-11. The District continues to work closely with the County Treasury, providing cash flows and construction schedules, to optimize investment incomes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2010

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.

As of June 30, 2010 and 2009 (In Thousands)

	2010	2009	% Change
Current Assets			
Cash and Cash Equivalents	\$ 12,910	\$ 12,353	4.51%
Other Current Assets	3,020	2,178	38.66%
Total Current Assets	<u>15,930</u>	<u>14,531</u>	<u>9.63%</u>
Non-Current Assets			
Restricted Cash and Cash Equivalents	62,859	90,433	-30.49%
Prepaid Expenses	1,536	1,634	-6.00%
Capital Assets, Net of Depreciation	121,591	91,502	32.88%
Total Non-Current Assets	<u>185,986</u>	<u>183,569</u>	<u>1.32%</u>
Total Assets	<u>201,916</u>	<u>198,100</u>	<u>1.93%</u>
Current Liabilities			
Accounts Payable and Accrued Liabilities	9,907	8,351	18.63%
Deferred Revenues	4,218	3,753	12.39%
Claims Liability	83	86	-3.49%
Amounts Held on Behalf of Others	881	854	3.16%
Long-Term Liabilities - Current Portion	4,181	544	668.57%
Total Current Liabilities	<u>19,270</u>	<u>13,588</u>	<u>41.82%</u>
Non-Current Liabilities			
Long-Term Liabilities	136,229	140,519	-3.05%
Total Liabilities	<u>155,499</u>	<u>154,107</u>	<u>0.90%</u>
Net Assets			
Invested in Capital Assets	35,311	39,903	-11.51%
Restricted for Expendable Purposes	4,825	1,338	260.61%
Unrestricted	6,281	2,752	128.23%
Total Net Assets	<u>\$ 46,417</u>	<u>\$ 43,993</u>	<u>5.51%</u>

- The \$1.4 million net increase in "Total Current Assets" is due to increases primarily in general fund unrestricted cash and receivables.
- The net decrease in restricted cash of \$27.6 million relates primarily to the Measure C bond construction spending and repayment of long-term debt obligations.
- The net increase in capital assets of over \$30 million represents additions to depreciable assets, net of actual depreciation of \$3.1 million for 2009-10. 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).

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2010

Statement of Net Assets (Continued)

- The \$1.6 million net increase in accounts payable and accrued liabilities principally relates to an increase in trade payables resulting from bond spending.
- An increase in the current portion of long-term liabilities relates to a higher upcoming debt repayment of the underlying bond indenture; the decrease in long-term liabilities reflects the 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 reserves for capital projects and debt service.
- "Unrestricted net assets" reflects the uncommitted balance for all funds.

Statement of Revenues, Expenses and Change in Net Assets

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

For the Years Ended June 30, 2010 and 2009 (In Thousands)

	2010	2009	% Change
Operating Revenues			
Tuition and fees	\$ 5,266	\$ 3,745	40.61%
Grants and contracts	9,243	8,103	14.07%
Total Operating Revenues	14,509	11,848	22.46%
Operating Expense			
Salaries and benefits	42,831	43,283	-1.04%
Supplies and maintenance	13,731	11,518	19.21%
Depreciation	3,130	2,085	50.12%
Total Operating Expenses	59,692	56,886	4.93%
Loss from Operations	(45,183)	(45,038)	0.32%
Nonoperating Revenues and (Expenses)			
State apportionment	1,283	2,149	-40.30%
Property taxes	39,288	39,371	-0.21%
State revenues	669	616	8.60%
Investment income	1,007	1,263	-20.27%
Interest expense on capital asset related debt	(7,519)	(3,964)	89.68%
Other nonoperating revenues	2,152	1,039	107.12%
Total Nonoperating Revenues	36,880	40,474	-8.88%
Other Revenues			
State and local capital income	40	40	0.00%
Property taxes	10,687	2,629	306.50%
Net Increase (Decrease) in Net Assets	\$ 2,424	\$ (1,895)	227.92%

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2010

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

- Tuition and enrollment fees increased due to the increase in enrollment fees from \$20 to \$26 per unit and the increase in FTES.
- As reported in the Statement of Revenues, Expenses and Change in Net Assets on page 13 of this report, the cost of all the District's operational activities this year was approximately \$59,692,000 an increase of approximately 4.9% compared to that of the prior year.
- Expenses for 2009-10 include depreciation of the District's plant and equipment totaling \$3,130,500.
- About 72% of all operating funds were directed to salary and benefit costs, slightly lower than the previous year.
- Non-operating revenue and expense decreased about \$3.6 million attributed to the increased interest expense related to Measure C debt service.
- General Fund property tax revenues remained flat from the prior year. The ad valorem taxes collected in the bond redemption fund was \$10.7 million. The ad valorem taxes fluctuate because they are collected based on the need to repay the bond principal.

Statement of Cash Flows

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

For the Years Ended June 30, 2010 and 2009 (In Thousands)

	2010	2009
Cash (used in) provided by:		
Operating activities	(\$42,568)	(\$45,399)
Non-capital financing activities	43,469	46,330
Capital and related financing activities	(28,925)	30,432
Investing activities	1,007	1,311
Net increase in cash	(27,017)	32,674
Cash – beginning of fiscal year	102,786	70,112
Cash – end of fiscal year	\$75,769	\$102,786

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2010

Statement of Cash Flows (Continued)

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 sold.
- Cash flow is adequate for a small district; the District participates in Marin County Treasurer's Office investment pool to maximize interest earnings on excess cash.

Factors That May Affect the Future

- For the remainder of 2010-11 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 2011-12 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 2011-12 budget proposal.
- 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 has 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 11.7% of General Fund Unrestricted expenditures in the 2010-11 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, 2010

ASSETS

Current assets:

Cash and cash equivalents (Note 2)	\$ 12,910,019
Accounts receivable (Note 3)	2,913,825
Prepaid expenses	<u>105,975</u>

Total current assets 15,929,819

Noncurrent assets:

Restricted cash and cash equivalents (Note 2)	62,858,878
Debt issuance costs, net (Note 7)	1,536,190
Capital assets, net (Note 4)	<u>121,591,525</u>

Total noncurrent assets 185,986,593

Total assets \$ 201,916,412

LIABILITIES

Current liabilities:

Accounts payable	\$ 9,906,853
Deferred revenue (Note 5)	4,218,025
Claims liability (Note 9)	83,015
Amounts held in trust (Note 2)	881,205
Compensated absences payable - current portion	61,618
Long-term debt - current portion (Note 7)	<u>4,119,705</u>

Total current liabilities 19,270,421

Noncurrent liabilities:

Compensated absences payable - noncurrent portion	1,103,636
Premium on general obligation bonds (Note 7)	4,275,194
Long-term debt - noncurrent portion (Note 7)	<u>130,850,011</u>

Total noncurrent liabilities 136,228,841

Total liabilities 155,499,262

Commitments and contingencies (Notes 5, 6 and 12)

NET ASSETS

Invested in capital assets, net of related debt	35,310,668
Restricted for debt service	4,825,141
Unrestricted	<u>6,281,341</u>

Total net assets 46,417,150

Total liabilities and net assets \$ 201,916,412

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, 2010

ASSETS

Cash and cash equivalents (Note 2)	\$ 359,071
Investments (Note 2)	3,556,659
Accounts receivable	1,855
Prepaid expenses	<u>1,907</u>
Total assets	<u><u>\$ 3,919,492</u></u>

LIABILITIES

Accounts payable and accrued liabilities	\$ 4,250
Grants payable	<u>52,925</u>
Total liabilities	<u>57,175</u>

NET ASSETS

Net assets:	
Unrestricted	(46,800)
Permanently restricted	193,781
Temporarily restricted	<u>3,715,336</u>
Total net assets	<u>3,862,317</u>
Total liabilities and net assets	<u><u>\$ 3,919,492</u></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, 2010

Operating revenues:	
Tuition and fees	\$ 6,440,845
Less: Scholarship discounts and allowances	<u>(1,175,250)</u>
Net tuition and fees	<u>5,265,595</u>
Grants and contracts, non-capital:	
Federal	5,940,334
State	<u>3,303,073</u>
Total operating revenues	<u>14,509,002</u>
Operating expenses (Note 14):	
Salaries and benefits (Notes 9, 10 and 11)	42,830,717
Supplies, materials, and other operating expenses and services	13,321,925
Equipment, maintenance and repairs	408,995
Depreciation (Note 4)	<u>3,130,500</u>
Total operating expenses	<u>59,692,137</u>
Loss from operations	<u>(45,183,135)</u>
Non-operating revenues (expenses):	
State apportionment, non-capital	1,283,210
Local property taxes (Note 8)	39,287,657
State taxes and other revenues	669,196
Investment income, noncapital	1,006,727
Interest expense on capital asset-related debt, net	(7,518,785)
Other non-operating revenues	<u>2,152,248</u>
Total non-operating revenues (expenses)	<u>36,880,253</u>
Loss before capital revenues	<u>(8,302,882)</u>
Capital revenues:	
Grants and gifts, capital	40,350
Property taxes (Note 8)	<u>10,686,747</u>
Total capital revenues	<u>10,727,097</u>
Change in net assets	2,424,215
Net assets, July 1, 2009	<u>43,992,935</u>
Net assets, June 30, 2010	<u><u>\$ 46,417,150</u></u>

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

MARIN COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT -
COLLEGE OF MARIN FOUNDATION
(A Nonprofit Organization)**

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

For the Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Contributions	\$ 51,126	\$ 1,195,946		\$ 1,247,072
Interest and dividend income (loss)	2,244	(9,214)		(6,970)
Net unrealized gain on investments		303,861		303,861
Other operating income	141,765	(138,137)		3,628
Net assets released from restrictions by payments	<u>388,018</u>	<u>(388,018)</u>		
Total revenues	<u>583,153</u>	<u>964,438</u>		<u>1,547,591</u>
Expenses:				
Grants and related activities	431,340			431,340
Salaries and benefits	91,821			91,821
Professional services	35,124			35,124
Operating expenses	<u>18,837</u>			<u>18,837</u>
Total expenses	<u>577,122</u>			<u>577,122</u>
Increase in net assets	<u>6,031</u>	<u>964,438</u>		<u>970,469</u>
Net assets, July 1, 2009, as previously stated	(52,831)	2,944,679		2,891,848
Restatement (Note 16)		<u>(193,781)</u>	<u>\$ 193,781</u>	
Net assets, July 1, 2009, as restated	<u>(52,831)</u>	<u>2,750,898</u>	<u>193,781</u>	<u>2,891,848</u>
Net assets, June 30, 2010	<u>\$ (46,800)</u>	<u>\$ 3,715,336</u>	<u>\$ 193,781</u>	<u>\$ 3,862,317</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, 2010

Cash flows from operating activities:	
Tuition and fees	\$ 5,103,468
Federal grants and contracts	5,852,150
State and local grants and contracts	2,959,333
Payments to employees	(42,737,804)
Payments to students, suppliers and vendors	(13,771,963)
Other receipts	<u>26,739</u>
Net cash used in operating activities	<u>(42,568,077)</u>
Cash flows from noncapital financing activities:	
State appropriations	1,283,210
Local property taxes	39,287,657
State taxes and other revenues	836,588
Other non-operating revenues	<u>2,061,907</u>
Net cash provided by noncapital financing activities	<u>43,469,362</u>
Cash flows from capital and related financing activities:	
Local revenue for capital purposes	40,350
Local property taxes, capital purposes	10,686,747
Purchase of capital assets	(32,122,710)
Principal paid on capital debt	(481,584)
Interest paid on capital debt, net	<u>(7,048,440)</u>
Net cash used in capital and related financing activities	<u>(28,925,637)</u>
Cash flows provided by investing activities:	
Interest income	<u>1,006,727</u>
Net decrease in cash and cash equivalents	(27,017,625)
Cash balance, beginning of year	<u>102,786,522</u>
Cash balance, end of year	<u><u>\$ 75,768,897</u></u>
Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (45,183,135)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	3,130,500
Changes in assets and liabilities:	
Receivables, net	(638,900)
Prepaid expenses	(71,771)
Accounts payable	120,527
Deferred revenue	44,849
Amounts held in trust	26,739
Compensated absences	(71,826)
Other postemployment benefits	<u>74,940</u>
Net cash used in operating activities	<u><u>\$ (42,568,077)</u></u>
Noncash capital and related financing activities:	
Amortization of bond issuance costs	\$ (198,012)
Amortization of premiums on capital debt	<u>111,016</u>
Total noncash capital and related financing activities	<u><u>\$ (86,996)</u></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 CASH FLOWS

For the Year Ended June 30, 2010

Cash flows from operating activities:	
Increase in net assets	\$ 970,469
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Increase in accounts receivable	(705)
Increase in prepaid expenses	(270)
Decrease in accounts payable and accrued liabilities	(11,437)
Decrease in grants payable	<u>(10,235)</u>
Net cash provided by operating activities	<u>947,822</u>
Cash flows used in investing activities:	
Increase in investment securities	<u>(929,722)</u>
Net increase in cash and cash equivalents	18,100
Cash and cash equivalents - beginning of year	<u>340,971</u>
Cash and cash equivalents - end of year	<u><u>\$ 359,071</u></u>

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

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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 Cod. Sec. 2100.101 as amended by GASB Cod. Sec. 2100.138. 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 Cod. Sec. 2100.138 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 Cod. Sec. 2200.101 in June 1999, which established a new reporting format for annual financial statements. In November 1999, GASB released Cod. Sec. 2200.190-.191, which applies the new reporting standards of GASB Cod. Sec. 2200.101 to public colleges and universities. The GASB then amended those statements in June 2001 with the issuance of GASB Cod. Sec. 2200 and 2300. The District adopted and applied these new standards beginning in 2001-02 as required. In May 2002, the GASB released Cod. Sec. 2100.138, which amends GASB Cod. Sec. 2100.119-.140, 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 the aforementioned provisions. 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 or temporarily 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 the Marin County Treasury are considered cash equivalents.

Restricted Cash, Cash Equivalents and Investments

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

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, 2010 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, 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 maintains an allowance for doubtful accounts at an amount which management considers sufficient to fully reserve and provide for the possible uncollectibility of other receivable balances.

Capital Assets

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

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

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District typically first applies the expense toward restricted resources, then to unrestricted resources.

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 Revenues, Expenses, 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.

The Foundation's endowment currently consists of 1 individual fund established for the purpose of supporting education at the District. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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 ASC 958-205, *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*, 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.

Risk Management

As more fully described in Note 9, 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, 2010 for dental and vision claims includes estimates of future claim payments for known cases as well as provisions for incurred but not reported claims and adverse development on known cases which occurred through that date. Outstanding claims which are expected to become due and payable within the subsequent fiscal year are reflected as a claims liability on the District's Statement of Net Assets.

State Apportionments

Certain current year apportionments from the state are based on various financial and statistical information of the previous year. Prior year corrections due to the recalculation in February 2010 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 Cod. Sec. 2200.190-.191 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 Cod. Sec. 2200.190-.191, 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 change in net assets. Scholarship discounts and allowances represent the difference between stated charges for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state and 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.

Reclassifications

Certain reclassifications have been made to the prior year balances to conform with the current year presentation.

New Financial Accounting Pronouncements

The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

In March 2009, the GASB issued Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) 1000, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB Cod. Sec. 1000). This Statement is intended to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standard's Board (GASB) authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The adoption of this update did not have a material impact on the District's net assets, change in net assets and cash flows.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Financial Accounting Pronouncements (Continued)

Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards

In March 2009, the GASB issued GASB Cod. Sec. 2250, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* (GASB Cod. Sec. 2250). The objective of this Statement is to incorporate into the GASB authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statement on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. This Statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) in the GASB standards. The adoption of this Statement did not have a material impact on the District's net assets, change in net assets and cash flows.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

District cash and cash equivalents at June 30, 2010, consisted of the following:

Pooled Funds:	
Cash in County Treasury	\$ 73,695,302
Deposits:	
Cash on hand and in banks	719,542
Cash in revolving account	17,972
Cash held by Fiscal Agent	<u>1,336,081</u>
Total cash and cash equivalents	<u>75,768,897</u>
Less: restricted cash and cash equivalents:	
Cash held in County Treasury	60,641,592
Cash held by Fiscal Agent	1,336,081
Cash held in trust (agency funds)	<u>881,205</u>
Total restricted cash and cash equivalents	<u>62,858,878</u>
Net cash and cash equivalents	<u><u>\$ 12,910,019</u></u>

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

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Foundation cash, cash equivalents and investments at June 30, 2010, consisted of the following:

Cash in banks:	
Restricted by donors	<u>\$ 359,071</u>
Investments in mutual funds	<u>\$ 3,556,659</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, 2010.

Cash with Fiscal Agent

Cash with Fiscal Agent of \$60,641,592 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 \$881,205 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.

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

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2010, the carrying amount of the District's cash on hand and in banks was \$719,542 and the bank balance was \$1,300,479. The bank balance amount insured by the FDIC was \$263,435.

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, 2010, the carrying amount of the Foundation's cash in banks was \$359,071 and the bank balance was \$390,921, of which all was fully insured.

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

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, 2010, 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, 2010, 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, 2010, 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.

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

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Foundation Investments (Continued)

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>
Mutual funds	<u>\$ 3,556,659</u>	<u>\$ 3,556,659</u>	<u>\$ -</u>	<u>\$ -</u>

There were no changes in the valuation techniques used during the year ended June 30, 2010.

The Foundation had no non recurring assets and no liabilities at June 30, 2010, which were required to be disclosed using the fair value hierarchy.

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2010 are summarized as follows:

Federal	\$ 550,505
State	213,525
Local and other	<u>2,149,795</u>
	<u>\$ 2,913,825</u>

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

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2009	Additions	Deductions	Transfers	Balance June 30, 2010
Non-depreciable:					
Land	\$ 3,119,170				\$ 3,119,170
Construction in progress	66,458,547	\$ 31,644,379		\$ (34,895,406)	63,207,520
Depreciable:					
Land improvements	3,798,888	369,976		6,659,076	10,827,940
Building improvements	34,341,886			28,159,851	62,501,737
Machinery and equipment	9,361,520	1,205,497		76,479	10,643,496
Total	117,080,011	33,219,852		-	150,299,863
Less accumulated depreciation:					
Land improvements	1,857,975	408,128			2,266,103
Building improvements	18,799,695	1,314,827			20,114,522
Machinery and equipment	4,920,168	1,407,545			6,327,713
Total	25,577,838	3,130,500			28,708,338
Capital assets, net	<u>\$ 91,502,173</u>	<u>\$ 30,089,352</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,591,525</u>

5. DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

Deferred Federal and State revenue	\$ 913,760
Deferred tuition and student fees	873,502
Deferred local grant revenue and other	<u>2,430,763</u>
Total deferred revenue	<u>\$ 4,218,025</u>

6. TAX REVENUE ANTICIPATION NOTES (TRANS)

Tax Revenue Anticipation Notes (TRANS) are short-term debt instruments. They are issued to eliminate cash flow deficiencies that result from fluctuations in revenue receipts and expenditure disbursements. A summary of the District's TRANS activity for the year ended June 30, 2010 is as follows:

	Outstanding July 1, 2009	Additions	Deletions	Outstanding June 30, 2010
Series 2009 - 2.0% Tax Revenue Anticipation Note	<u>\$ -</u>	<u>\$ 8,500,000</u>	<u>\$ 8,500,000</u>	<u>\$ -</u>

Subsequent to June 30, 2010, the District entered into a new TRANS agreement for \$9,200,000 payable on June 30, 2011.

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

7. LONG-TERM LIABILITIES

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, 2010, the District has unamortized premiums and issuance costs of \$1,888,108 and \$1,093,522, respectively.

The annual payments required to amortize the Series B, 2004 General Obligation Bonds outstanding as of June 30, 2010, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3,500,000	\$ 3,452,988	\$ 6,952,988
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	915,000	3,336,213	4,251,213
2016-2020	5,955,000	16,142,863	22,097,863
2021-2025	8,885,000	14,467,613	23,352,613
2026-2030	13,045,000	11,771,313	24,816,313
2031-2035	19,800,000	7,762,469	27,562,469
2036-2039	<u>21,215,000</u>	<u>2,215,625</u>	<u>23,430,625</u>
	<u>\$ 75,000,000</u>	<u>\$ 69,274,123</u>	<u>\$144,274,123</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, 2010, the District has unamortized premiums and issuance costs of \$2,387,086 and \$442,668, respectively.

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

7. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the Series A, 2004 General Obligation Bonds outstanding as of June 30, 2010, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,135,000	2,575,717	3,710,717
2016-2020	9,110,000	11,689,490	20,799,490
2021-2025	16,620,000	8,426,702	25,046,702
2026-2030	<u>27,220,000</u>	<u>2,953,582</u>	<u>30,173,582</u>
	<u>\$ 56,855,000</u>	<u>\$ 36,410,717</u>	<u>\$ 93,265,717</u>

Lease Revenue Bonds

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

The annual payments required to amortize the Lease Revenue Bonds outstanding as of June 30, 2010, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	75,000	28,858	103,858
2016-2020	515,000	94,570	609,570
2021-2025	828,754	1,234,009	2,062,763
2026-2030	806,195	1,989,437	2,795,632
2031-2035	<u>450,885</u>	<u>1,458,146</u>	<u>1,909,031</u>
	<u>\$ 2,900,834</u>	<u>\$ 4,940,413</u>	<u>\$ 7,841,247</u>

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

7. LONG-TERM LIABILITIES (Continued)

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.

The annual payments required to amortize the Lease Revenue Bonds outstanding as of June 30, 2010, are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2011	\$ <u><u>109,977</u></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>
2011	\$ <u><u>4,728</u></u>	\$ <u><u>132</u></u>	\$ <u><u>4,860</u></u>

Total Long-Term Debt

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 4,119,705	\$ 6,233,734	\$ 10,353,439
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	2,125,000	5,940,788	8,065,788
2016-2020	15,580,000	27,926,923	43,506,923
2021-2025	26,333,754	24,128,324	50,462,078
2026-2030	41,071,195	16,714,332	57,785,527
2031-2035	20,250,885	9,220,615	29,471,500
2036-2039	<u>21,215,000</u>	<u>2,215,625</u>	<u>23,430,625</u>
	<u>\$ 134,870,539</u>	<u>\$ 110,625,385</u>	<u>\$ 245,495,924</u>

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

7. LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Debt

A schedule of changes in long-term debt (excluding compensated absences) for the year ended June 30, 2010 is as follows:

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Amounts Due Within One Year
General Obligation Bonds	\$ 132,180,000		\$ 325,000	\$ 131,855,000	\$ 3,960,000
Lease Revenue Bonds	2,940,834		40,000	2,900,834	45,000
Energy Efficiency Revenue Bonds	219,954		109,977	109,977	109,977
Capitalized Lease Obligations	11,335		6,607	4,728	4,728
Other Postemployment Benefits (Note 11)	24,237	\$ 74,940		99,177	
	<u>\$ 135,376,360</u>	<u>\$ 74,940</u>	<u>\$ 481,584</u>	<u>\$ 134,969,716</u>	<u>\$ 4,119,705</u>

8. 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.

9. RISK MANAGEMENT

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

The dental and vision claims reserve activity for the years ended June 30, 2010 and 2009 is as follows:

	2010	2009
Liability balance, beginning of year	\$ 85,729	\$ 80,284
Claims and changes in estimates	662,348	695,420
Claims payments	<u>(665,062)</u>	<u>(689,975)</u>
Liability balance, end of year	<u>\$ 83,015</u>	<u>\$ 85,729</u>

MARIN COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

10. EMPLOYEE RETIREMENT SYSTEMS

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

State Teachers' Retirement System (STRS)

Plan Description

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

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.

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 2009-2010 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%.

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

10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

State Teachers' Retirement System (STRS) (Continued)

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,458,640, \$1,568,599 and \$1,417,750, respectively, and equals 100% of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements. 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 value of assets exceeded the program's accrued 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.

California Public Employees' Retirement System (CalPERS)

Plan Descriptions

All full-time classified employees participate in 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.

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

10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees' Retirement System (CalPERS) (Continued)

Funding Policy

Active plan members are required to contribute 7% of their salary and the district is required to contribute 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 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 ended in July 2003. The required employer contribution rate for fiscal year 2009-2010 was 9.709% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2010, 2009, 2008 were \$1,134,695, \$1,051,474 and \$957,143, 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.

11. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 10, the District provides post-retirement health care benefits to employees hired prior to 1988 and who retire from the District and meet the specific eligibility requirements set forth in their prospective employment contracts. The District pays medical and dental insurance premiums to maintain the level of coverage enjoyed by the retiree immediately preceding retirement up until the age of 70 or death of the retiree. Expenditures for post-retirement health care benefits are recognized as the premiums are paid.

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

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Annual required contribution	\$ 891,186
Interest on net OPEB obligation	1,212
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	892,398
Contributions made	<u>(817,458)</u>
Increase in net OPEB obligation	74,940
Net OPEB obligation - beginning of year	<u>24,237</u>
Net OPEB obligation - end of year	<u><u>\$ 99,177</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the preceding year were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 891,186	97.3%	\$ 24,237
June 30, 2010	\$ 892,398	91.6%	\$ 99,177

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 \$5,974,919, and the ratio of the UAAL to the covered payroll was 122 percent.

MARIN COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, 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 of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates include a 3 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was 12 years.

12. COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

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

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

Construction Commitments

As of June 30, 2010, the District has approximately \$46 million in outstanding commitments on construction contracts.

MARIN COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

13. JOINT POWERS AGREEMENTS

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

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

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

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

	NCCCSIA June 30, 2009	SELF June 30, 2010	MSIA June 30, 2009	SWACC June 30, 2009
Total assets	\$ 11,108,086	\$ 196,974,000	\$ 20,461,401	\$ 43,932,016
Total liabilities	\$ 5,022,171	\$ 160,464,000	\$ 12,036,248	\$ 17,901,413
Net assets	\$ 6,085,915	\$ 36,510,000	\$ 8,425,153	\$ 26,030,603
Total revenues	\$ 7,665,909	\$ 19,384,000	\$ 10,472,669	\$ 10,816,989
Total expenses	\$ 7,132,708	\$ 30,536,000	\$ 4,347,782	\$ 4,645,357
Change in net assets	\$ 533,201	\$ (11,152,000)	\$ 6,124,887	\$ 6,171,632

14. 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, 2010.

Functional Classifications	Salaries and Benefits	Supplies, Materials and Other Operating Expenses and Services	Equipment, Maintenance and Repairs	Depreciation	Total
Instruction	\$ 22,697,152	\$ 487,842	\$ 121,552		\$ 23,306,546
Academic Support	3,993,570	215,016	88,192		4,296,778
Student Services	5,054,138	454,998	7,223		5,516,359
Operations and Maintenance of Plant	2,671,168	1,700,380	24,820		4,396,368
Institution Support	6,162,224	4,027,924	163,188		10,353,336
Community Support	1,676,802	815,689	2,048		2,494,539
Ancillary Services	575,409	142,887	1,972		720,268
Student Aid		5,477,189			5,477,189
Physical Property	254				254
Depreciation				\$ 3,130,500	3,130,500
	<u>\$ 42,830,717</u>	<u>\$ 13,321,925</u>	<u>\$ 408,995</u>	<u>\$ 3,130,500</u>	<u>\$ 59,692,137</u>

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

15. SUBSEQUENT EVENTS

The District and the Foundation have reviewed all events occurring from June 30, 2010 through November 8, 2010, the date the financial statements were issued. No subsequent events occurred requiring accrual or disclosure.

16. RESTATEMENT

During 2010, it was determined the Osher Scholarship Endowment initially classified as temporarily restricted should be reported as permanently restricted. The restatement in the amount of \$193,781 reclassified the net assets from temporarily restricted to permanently restricted. There were no additional contributions in 2010. The cost of the investment approximated the fair value at June 30, 2010.

REQUIRED SUPPLEMENTARY INFORMATION

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

For the Year Ended June 30, 2010

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

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

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, 2010, and have issued our report thereon dated November 8, 2010. 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.

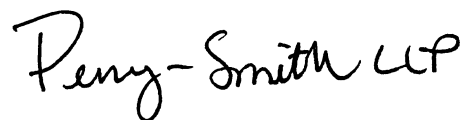
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the *California Community Colleges 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 including the Schedule of Expenditures of Federal Awards and the reports listed below, 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:

- Schedule of Expenditures of Federal 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.

Sacramento, California
November 8, 2010



MARIN COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2010

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, 2010 were composed of the following members:

BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Eva Long, Ph.D.	President	2011
James Namnath, Ph.D.	Vice President	2011
Diana Conti	Clerk	2013
Philip Kranenburg	Trustee	2011
Carole Hayashino	Trustee	2011
Barbara Dolan	Trustee	2013
Wanden Treanor	Trustee	2013
Nathaniel Parker	Student Trustee	2011

DISTRICT ADMINISTRATION

Mr. Albert J. Harrison, II
Interim Superintendent/President

Margaret Isozaki
Interim Vice President, College Operations

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>		
Direct Programs:		
Student Financial Aid Cluster:		
Federal Supplemental Educational Opportunity Program (FSEOG)	84.007	\$ 153,112
Federal College Work Study (FWS)	84.033	195,495
ARRA: Federal College Work Study (FWS)	84.033	43,647
Federal Pell Grants (PELL)	84.063	5,007,588
Academic Competitiveness Grant	84.375	<u>6,915</u>
Subtotal Financial Aid Cluster		<u>5,406,757</u>
Passed through California Community College Chancellor's Office:		
Vocational and Applied Technology Educational Act - Title IC	84.048	122,230
Vocational and Applied Technology Educational Act - Title II - Tech Prep	84.048	67,750
American Recovery and Reinvestment Act - State Fiscal Stabilization Fund	84.394	217,520
Passed through California Department of Education:		
Early Childhood Mentor Program	84.405A	<u>3,200</u>
Total U.S. Department of Education		<u>5,817,457</u>
<u>U.S. Department of Health and Human Services</u>		
Passed through California Community College Chancellor's Office:		
Temporary Assistant to Needy Families (TANF)	93.558	16,335
Temporary Assistant to Needy Families (TANF) - Work Study	93.558	30,849
Passed through California Department of Education:		
Child Development Training Consortium	93.575	11,837
Foster Care Education	93.658	<u>41,546</u>
Total U.S. Department of Health and Human Services		<u>100,567</u>
<u>U.S. Department of Veteran Affairs - Direct Program</u>		
Veterans Information and Assistance	64.115	<u>347</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>		
Child Care Food Program	10.558	<u>21,963</u>
Total Federal Programs		<u>\$ 5,940,334</u>

See accompanying notes to
supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS
For the Year Ended June 30, 2010

	Program Entitlements			Program Revenues			Program Expend- itures
	Prior Year Carry- forward	Current Entitlement	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue/ Accounts Payable Total	
Administrative 2% Enrollment Fee Waivers		\$ 14,738	\$ 14,738	\$ 14,738		\$ 14,738	\$ 14,738
Allied Health - EDD		106,500	106,500		\$ 67,185	67,185	67,185
Basic Skills	\$ 223,258	90,000	313,258	314,089	(831)	\$ 194,907	118,351
BFAP Administrative		186,976	186,976	186,976		186,976	186,976
Cal Grants	5,322	252,901	258,223	226,829	31,394	5,838	252,385
CalWORKs		114,849	114,849	114,849		4,994	109,855
CARE	17,426	39,214	56,640	56,640		16,055	40,585
Child Care Food Program - Preschool		1,366	1,366	1,202	164	1,366	1,366
Child Development Bailout Tax		75,862	75,862	75,862		75,862	75,862
Child Development Instructional Materials		500	500	125	375	500	500
Child Development - State Preschool		189,337	189,337	189,337		189,337	189,337
DSPS	4,458	866,713	871,171	871,171		871,171	871,171
EOPS	85,666	348,947	434,613	434,613		19,425	415,188
Faculty/Staff Development	11,325		11,325	11,325		11,325	
Faculty/Staff Diversity	4,930	4,497	9,427	9,427		9,427	9,427
Foster Care Education		40,351	40,351	31,265	7,578	38,843	38,843
Hazardous Substance	34,238		34,238	34,238		34,238	
Instructional Equipment & Library Materials	123,392		123,392	123,392		40,001	83,391
Lottery - Proposition 20	154,104	87,983	242,087	155,318	86,769	169,128	72,959
Matriculation - Credit	19,266	174,871	194,137	194,137		18,356	175,781
Matriculation - Noncredit	43,689	62,524	106,213	106,213		106,213	106,213
Nursing Capacity	131,587	130,566	262,153	241,262	20,891	87,584	174,569
Peace Officers Training	2,378		2,378	2,378		2,365	13
Scheduled Maintenance and Repair	301,117		301,117	301,117		301,117	
TANF	721	15,736	16,457	16,457		152	16,305
Transfers & Articulation	4,545		4,545	4,545		2,117	2,428
TTIP	3,409		3,409	3,409		3,409	3,409
Total State Programs	\$ 1,170,831	\$ 2,804,431	\$ 3,975,262	\$ 3,720,914	\$ 213,525	\$ 907,602	\$ 3,026,837

See accompanying notes to
supplemental information.

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

Annual Attendance as of June 30, 2010

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2009 only)			
1. Noncredit	-		-
2. Credit	-		-
B. Summer Intersession (Summer 2010 - Prior to July 1, 2010)			
1. Noncredit	4		4
2. Credit	363		363
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	4,226		4,226
b. Daily Census Contact Hours	331		331
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	334		334
b. Credit	134		134
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	179		179
b. Daily Census Contact Hours	11		11
c. Noncredit Independent Study/ Distance Education Courses	-		-
D. Total FTES	<u>5,582</u>	<u>-</u>	<u>5,582</u>
Supplemental Information:			
E. In-Service Training Courses (FTES)	-		-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	283		283
b. Credit	258		258
<u>CCFS 320 Addendum</u>			
CDCP	-		-
Centers FTES			
a. Noncredit	-		-
b. Credit	-		-

See accompanying notes to
supplemental information.

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

For the Year Ended June 30, 2010

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 - Schedule of Expenditures of Federal Awards

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

B - Schedule of State Financial Awards

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

C - Schedule of Workload Measures for State General Apportionment

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

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

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

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, 2010, and have issued our report thereon dated November 8, 2010.

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
Required Data Elements

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 Fee – Instructional Materials and Health Fees

Student Services

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, 2010.

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
November 8, 2010



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

Board of Trustees
Marin Community College District
Novato, California

We have audited the basic financial statements of Marin Community College District as of and for the year ended June 30, 2010, and have issued our report thereon dated November 8, 2010. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

(Continued)

Internal Control Over Financial Reporting (Continued)

Marin Community College District's response to the finding identified in our audit is included in the accompanying Summary of Findings and Recommendations. We did not audit the District's response and, accordingly, express no opinion on it.

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 CP

Sacramento, California
November 8, 2010



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND 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, 2010. Marin Community College District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Marin Community College District's management. Our responsibility is to express an opinion on Marin Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits obtained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, 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, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marin Community College District's internal control over compliance.

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

(Continued)

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over 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
November 8, 2010



FINDINGS AND RECOMMENDATIONS

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	<u> X </u> None reported

Noncompliance material to financial statements noted?

_____ Yes	<u> X </u> No
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FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	<u> X </u> 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 Circular A-133, Section .510(a)?

_____ Yes	<u> X </u> No
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Identification of major programs:

_____ CFDA Number(s) _____	_____ Name of Federal Program or Cluster _____
84.033, 84.375, 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(es) identified?	_____ Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ Yes	<u> X </u> None reported

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

MARIN COMMUNITY COLLEGE DISTRICT
SUMMARY OF FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2010

INTERNAL CONTROLS

1. PAYROLL

Criteria

Best practices for internal control and safeguarding of assets.

Condition

Payroll technicians receive hourly employee time cards as well as information related to overtime and payroll related adjustments which is input into the Banner financial system and reviewed by a second Payroll Technician. However, documentation of the independent review by a second employee is not maintained. Also, payroll timecards submitted from the Tutoring Center related to students on Federal Work Study are completed by the Center's Supervisor and not reviewed by the student workers.

Effect

Payroll related information could be misstated and not detected without a review performed by a second independent individual. Students working in the Tutoring Center could be paid an incorrect amount as their time cards are being completed by the Center Supervisor and not reviewed by the student.

Cause

As the District is in the first year of using Banner, such internal control procedures have not been fully implemented.

Fiscal Impact

Not determinable.

Recommendation

The documentation of the secondary review should be maintained by the Payroll Department. All Tutoring Center time cards should be prepared by student workers and reviewed/approved by a supervisor.

Corrective Action Plan

Documentation of the Payroll Department's input review will be maintained by the Payroll Department. Students will either complete their time cards or review the information prepared by the Supervisor before being submitted to payroll for processing.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

MARIN COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2010

Findings	Recommendations	Current Status	District Explanation If Not Fully Implemented
1. 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.	Data input by the payroll department should be reviewed by an employee independent of the input to ensure accuracy.	Implemented.	
2. Internal Controls - Bank Reconciliations			
The Cash in County Treasury account reconciliation was not performed and reviewed in the timely manner.	Cash in County Treasury reconciliations should be performed by the Accountant and reviewed by the Director of Fiscal Services.	Implemented.	
3. Internal Controls - Credit Cards			
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.	We recommend that the District maintain documentation which supports the authorization of credit cards to District employees.	Implemented.	