MARIN COMMUNITY COLLEGE DISTRICT
Novato, California

FINANCIAL STATEMENTS
June 30, 2014

MARIN COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2014

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MARIN COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2014

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Crowe Horwath

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Marin Community College District
Novato, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of Marin Community College District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Marin Community College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of Marin Community College District, as of June 30, 2014, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3 to 12 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marin Community College District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

Other Reporting Required by _Government Auditing Standards_

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2015 on our consideration of Marin Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marin Community College District's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
February 11, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2014

Governmental Accounting Standards Board (GASB) Statement 34/35

Marin Community College District (the District) prepares financial reports in accordance with GASB Statements No. 34/35, "*Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,*" issued in November 1999. The following discussion and analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2014 and the intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial standing, this analysis should be read in conjunction with the entire Independent Auditor's Report, particularly the District's financial statements beginning on page 13, and the notes to the basic financial statements beginning on page 19.

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

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

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

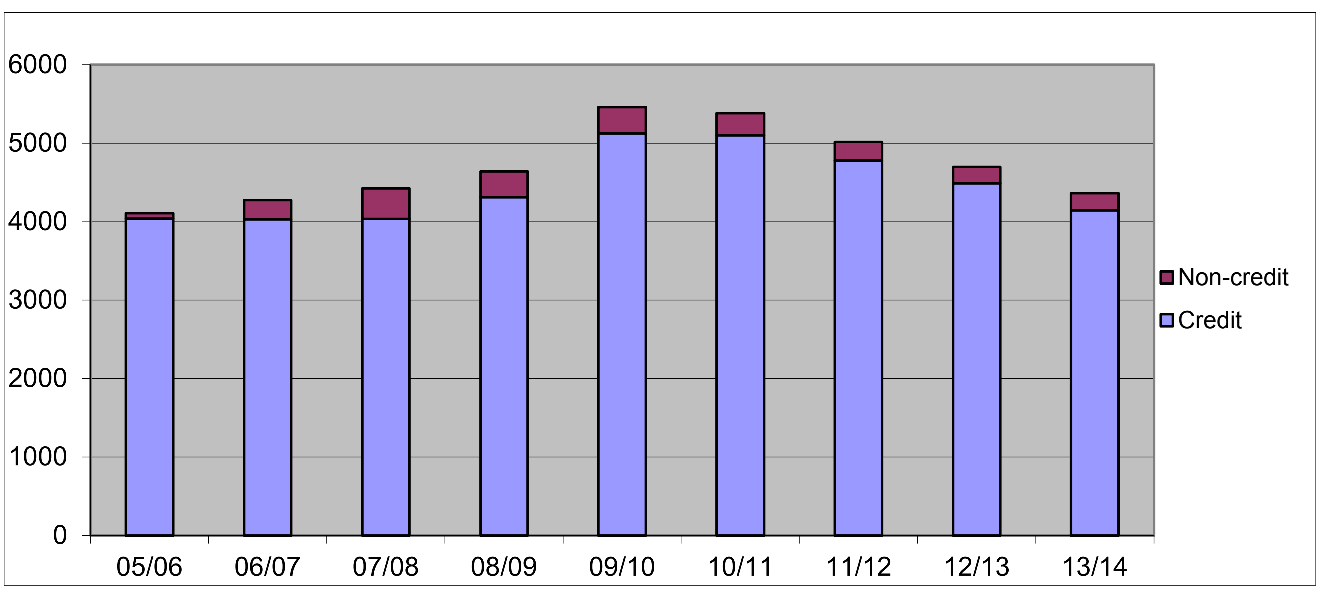
Financial Highlights

- Marin County property values appear to be in a slow recovery. The District continues to maintain its "Basic Aid" status because the receipts from local property taxes and enrollment fees exceeded the State's computational revenues under SB 361 for 2013-14 by about $17.4 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 2013-14 ended higher than originally budgeted due to higher than anticipated revenues offset by lower spending. Unrestricted revenues were about $598,000 higher, principally from property taxes and local revenues, partially offset by lower enrollment fees and state revenue. Unrestricted expenditures were approximately $1.2 million lower than budget primarily due to vacant positions not being filled and lower benefit costs than anticipated, offset by higher Other Outgo. The year ended with reserve levels at 10.3%.

- FTES totaled 4,364 representing a 7.1% decrease over the prior fiscal year. The recent declines in enrollment are attributable to the increase in enrollment fees from $36 per unit to $46 per unit, limitations on course repeatability and an improved economy. Several years ago, the District instituted a comprehensive enrollment management program to improve student access, strengthen outreach, expand marketing efforts, and broaden class offerings which contributed to the increased enrollment prior to the recent declines.

FTES Statistics
2005/06 – 2013/14



Financial Highlights (continued)

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

- The Board directed funding the obligation in advance rather than on the prior "pay as you go" basis. Between Fiscal Years 2005-06 and 2009-10, the District pre-funded the obligation transferring $2,000,000 out of the General Fund into the Retiree Unfunded Medical Benefits Liability Fund. This pre-funding accumulated interest earnings in the amount of $164,078. In June 2013, the District established an irrevocable OPEB trust fund with CalPERS, formally named the California Employers' Retiree Benefit Trust (CERBT) fund, and transferred the $2,164,078 fund balance from the previous Retiree Unfunded Medical Benefits Liability Fund to the irrevocable OPEB Trust fund.

- The District provided Financial Aid to over 3,700 qualifying students this year translating to about $14 million in aid. This aid is provided through grants, loans, and work study from the federal government, the State Chancellor's Office and local funding.

Capital Asset and Debt Administration

- On November 2, 2004 the voters of Marin County overwhelmingly passed Measure C, a $249.5 million bond for facilities maintenance, job training and safety, passing with more than 60 percent of the vote, easily surpassing the required 55 percent. With the bond, the College has been able to modernize science labs, classrooms, and libraries; provide modern computer technology; upgrade fire safety, campus security, disabled access, energy conservation systems and electrical wiring for computer technology; and repair, construct, acquire, and/or equip classrooms, labs, sites and facilities. The College retained the services of Swinerton Management & Consulting, Inc. as its Measure C program and construction management provider through the end of 2012. Beginning January 1, 2013, the College retained Jacobs Project Management Co. to assume the role of program and construction management and to continue to work with the District's faculty, staff and students to implement the Measure C work in accordance with the Facilities Development and Master Plan.

Capital Asset and Debt Administration (continued)

- In April 2005, $75 million in bonds were sold pursuant to the terms of a public sale. An additional $75 million in bonds were sold in February 2009, and another $52.505 million in bonds were sold in June 2011. In December 2012, the balance of the bonds, $46.995 million were sold. All proceeds were delivered to the Marin County Treasury for credit of College of Marin into its building fund.

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

- Major milestones achieved in the District's Capital Improvement and Modernization Program (2013-14) included:

  - Academic Center (formerly Gateway) - construction 30% complete.
  - Fine Arts Weatherization - construction complete.
  - Kentfield Accessibility Barrier Removal – construction 50% complete.
  - Learning Resources Center voluntary seismic - 50% design complete.
  - IVC Accessibility Barrier Removal – 50% design complete.
  - Austin Demolition & related – 50% design complete.

- The 2014-15 budget outlines approximately $30.0 million in facilities renewal and modernization costs, including construction, architectural and civil, geotechnical and MEP engineering services, plus landscape architect, industrial hygienist, CEQA and energy consultants. Construction and modernization plans outlined for the upcoming fiscal year include the start of construction on the new Academic Center building, accessibility projects, infrastructure, weatherization and technology projects.

Statement of Net Position

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

For the Years Ended June 30, 2014 and 2013
(In Thousands)

	2014	2013	% Change
Current Assets			
Cash and Cash Equivalents	$ 13,459	$ 12,692	6.04%
Other Current Assets	3,673	2,950	24.51%
Total Current Assets	17,132	15,642	9.53%
Non-Current Assets			
Restricted Cash and Cash Equivalents	41,114	58,428	-29.63%
OPEB Asset	1,829	1,846	-0.92%
Capital Assets, Net of Depreciation	225,890	210,037	7.55%
Total Non-Current Assets	268,833	270,311	-0.55%
Deferred Outflow			
Loss on Debt Refunding	4,428	4,831	-8.34%
Total Assets and Deferred Outflow	**$ 290,393**	**$ 290,784**	**-0.13%**
Current Liabilities			
Accounts Payable and Accrued Liabilities	$ 10,768	$ 8,476	27.04%
Deferred Revenues	4,653	5,582	-16.64%
Claims Liability	104	99	5.05%
Compensated Absences - Current Portion	279	343	-18.66%
Premium on General Obligation Bonds	473	632	-25.16%
Long-Term Liabilities - Current Portion	2,858	3,445	-17.04%
Total Current Liabilities	19,135	18,577	3.00%
Non-Current Liabilities			
Long-Term Liabilities	233,317	235,455	-0.91%
Total Liabilities	252,452	254,032	-0.62%
Net Position			
Net Investment in Capital Assets	29,392	31,501	-6.70%
Restricted	8,568	7,808	9.73%
Unrestricted	(19)	(2,557)	99.30%
Total Net Position	37,941	36,752	3.24%
Total Liabilities and Net Position	**$ 290,393**	**$ 290,784**	**-0.13%**

Statement of Net Position (continued)

- The $1.5 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 $17.3 million relates primarily to the Measure C bond construction spending.

- The net increase in capital assets of $15.9 million represents additions to depreciable assets, net of actual depreciation of $6.2 million for 2013-14. Included in this category are the net values of buildings, land and equipment. The capitalization threshold was established at $5,000 or higher (original acquisition cost).

- The $2.3 million net increase in Accounts Payable and Accrued Liabilities principally relates to an increase in trade payables resulting from the status of projects in the Measure C bond program.

- A decrease in the current portion of long-term liabilities relates to the lower upcoming debt repayments of the underlying bond indenture, and other liabilities.

- Long-term liabilities decreased $2.1 million primarily from bond repayments.

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

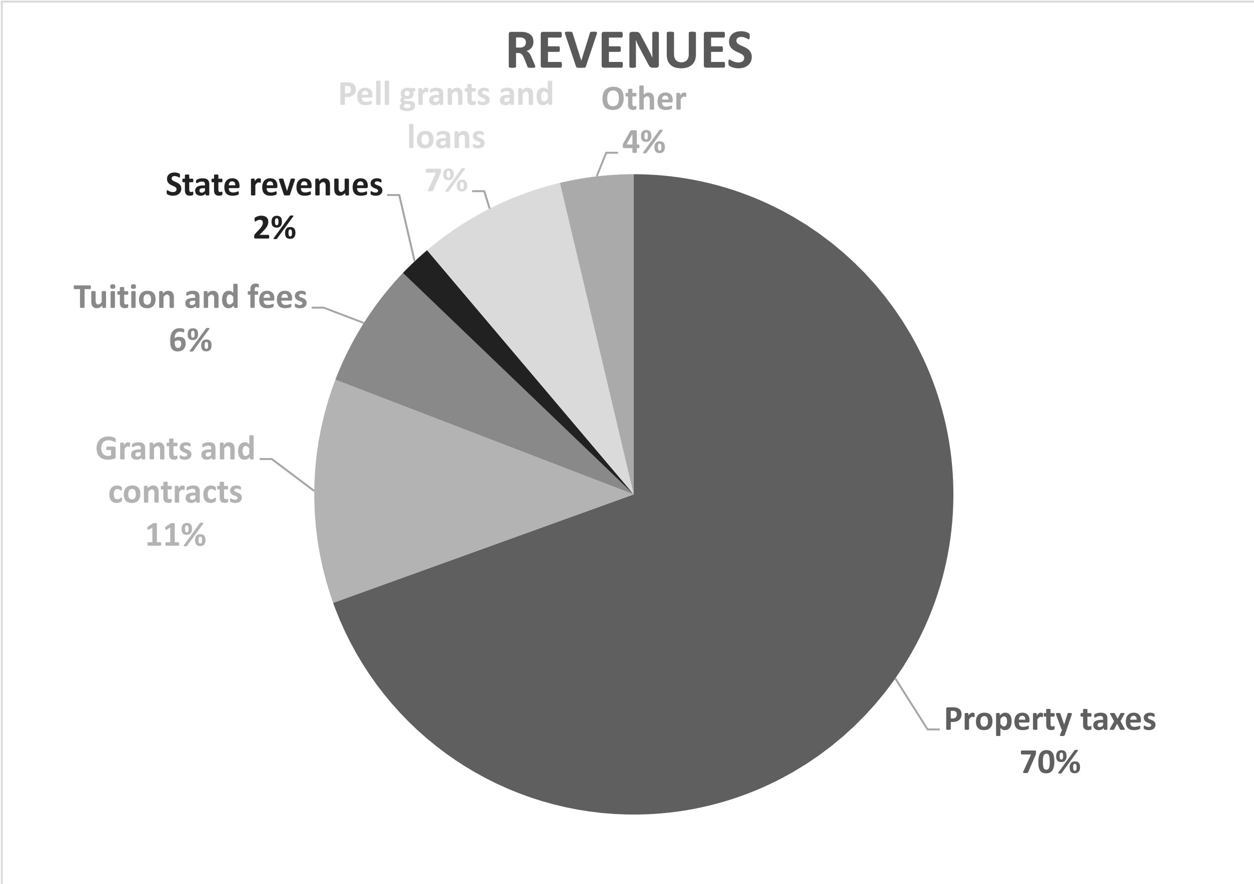
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
Fiscal Year Ending June 30, 2014

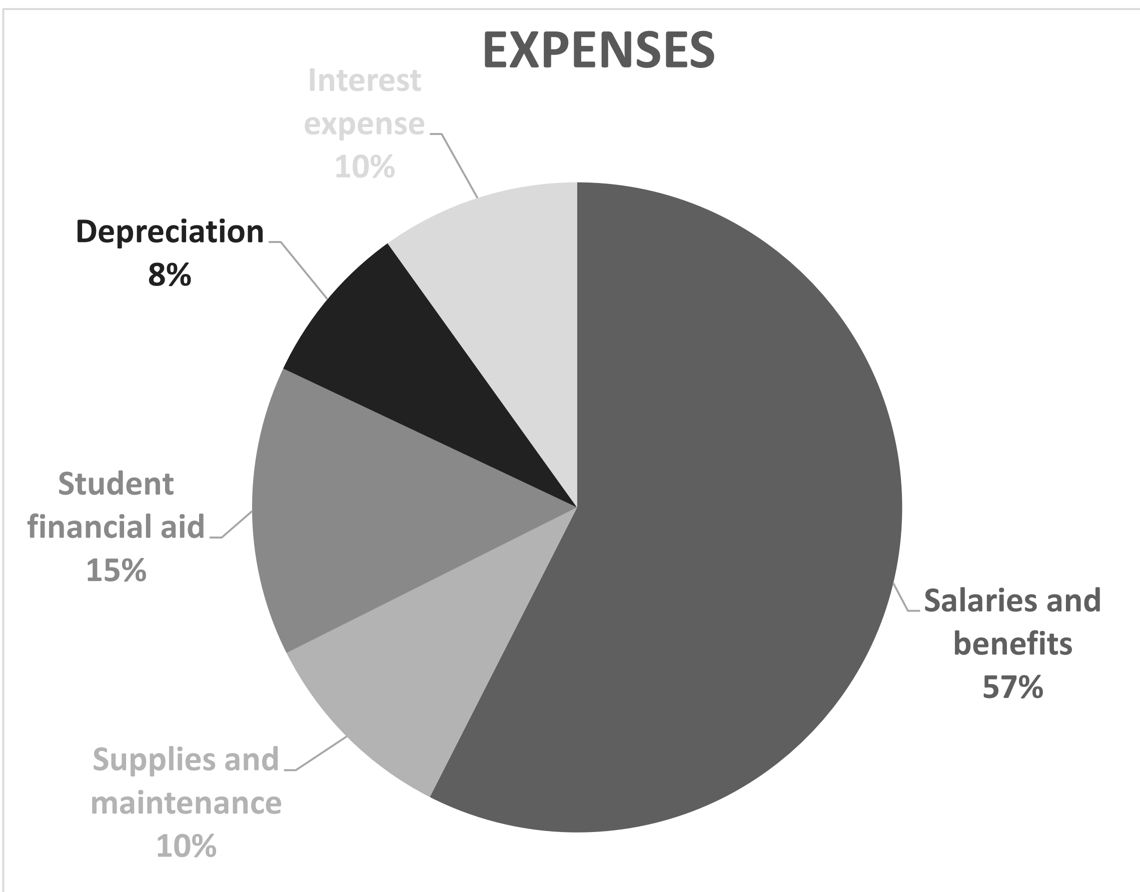
Statement of Revenues, Expenses and Change in Net Position

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

For the Years Ended June 30, 2014 and 2013
(In Thousands)

	2014	2013	% Change
Operating Revenues			
Tuition and fees	$ 4,963	$ 4,770	4.05%
Grants and contracts	8,887	9,322	-4.67%
Total Operating Revenues	13,850	14,092	-1.72%
Operating Expenses			
Salaries and benefits	44,110	45,235	-2.49%
Supplies and maintenance	7,759	9,577	-18.98%
Student Financial Aid	11,609	12,102	-4.07%
Depreciation	6,197	5,040	22.96%
Total Operating Expenses	69,675	71,954	-3.17%
Loss from Operations	(55,825)	(57,862)	-3.52%
Nonoperating Revenues and (Expenses)			
State apportionment	189	189	0.00%
Property taxes	42,271	40,619	4.07%
State revenues	1,107	819	35.16%
Pell grants and direct loans	5,875	6,671	-11.93%
Investment income	56	69	-18.84%
Interest expense on capital asset related debt	(7,601)	(6,118)	24.24%
Other nonoperating revenues	2,850	966	195.03%
Total Nonoperating Revenues	44,747	43,215	3.55%
Capital Revenues			
State and local capital income	3	23	-86.96%
Property taxes	12,263	10,248	19.66%
Change in Net Position	**$ 1,188**	**$ (4,376)**	**-127.15%**


REVENUES
Pell grants and loans 7%
Other 4%
State revenues 2%
Tuition and fees 6%
Grants and contracts 11%
Property taxes 70%


EXPENSES
Interest expense 10%
Depreciation 8%
Student financial aid 15%
Salaries and benefits 57%
Supplies and maintenance 10%

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

- As reported in the Statement of Revenues, Expenses and Change in Net Position on page 14 of this report, the cost of all the District's operational activities this year was $69.7 million, a decrease of approximately 3.2% compared to that of the prior year.

- Expenses for 2013-14 included depreciation of the District's plant and equipment of approximately $6.2 million.

- About 63.3% of all operating expenses were directed to salary and benefit costs, slightly higher than the previous year.

- Non-operating revenue and expense increased about $1.5 million primarily due to an increase in property taxes.

- The ad valorem taxes collected in the bond redemption fund was $12.3 million. The ad valorem taxes fluctuate because they are collected based on the need to repay the bond principal.

Statement of Cash Flows

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

(In Thousands)

	2014	2013
Cash (used in) provided by:		
Operating activities	$ (50,122)	$ (53,060)
Non-capital financing activities	52,292	49,609
Capital and related financing activities	(18,773)	18,004
Investing activities	56	68
Net (decrease) increase in cash	(16,547)	14,621
Cash – beginning of fiscal year	71,120	56,499
Cash – end of fiscal year	$ 54,573	$ 71,120

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

Statement of Cash Flows (continued)

- Representing the largest cash in-flow, non-capital financing activities includes property taxes, enrollment fees, State apportionments, and local revenues; property taxes being the largest contributor.
- Construction projects and capital debt are reported in capital and related financing activities. Capital related financing activities correlate to bond issuances and redemptions.
- Cash flow is adequate for a small district; the District participates in Marin County Treasurer's Office investment pool to maximize interest earnings on excess cash.

Factors That May Affect the Future

- Forecasts for 2014-15 anticipate a modest increase in property taxes with the California Consumer Price Index at less than 0.5%, however escalating health and welfare expenses are causing a deficit. The District is benefiting from increased state funding (EPA, Prop 39, categorical programs, etc.) and hopes that the state can continue with the increased funding levels. The District has offered another Supplemental Employee Retirement Plan anticipating savings in outer years that may result from reorganizations and internal process improvements and efficiencies. The District has also joined SISC (Self-Insured Schools of California) in an effort to control its health care costs.
- Pension Reform may help as employees new to the pension systems are required to pay their own share of pension expense, however, CalSTRS (California State Teachers' Retirement System) and CalPERS (California Public Employees' Retirement System) are both projecting annual increases for several years into the future to help with the unfunded liability of those plans. The District will also be required to reflect the unfunded liability of STRS and PERS for its employees in the financial statements beginning with the fiscal year ending June 30, 2015 which will have a negative impact.
- The current economy, slight reductions in unemployment, and changes in financial aid regulations and repeatability have caused a decline in enrollment. Also, unemployed workers who came back to school for training in a new vocation or to upgrade their skills have left to seek employment.
- Reserves are budgeted at 9.0% of General Fund Unrestricted expenditures in the 2014-15 Adoption Budget. Reserves are expected to decrease slightly over the next few years as the District is in the process of overcoming a structural deficit. The District will again strive to align reserve levels in accordance with Board goals to increase reserve levels to 17%.

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

ASSETS		
Current assets:		
Cash and investments (Note 2)	$	13,459,494
Receivables, net (Note 3)		2,955,370
Prepaid expenses		716,918
Total current assets		17,131,782
Noncurrent assets:		
Restricted cash and investments (Note 2)		41,113,807
OPEB asset (Note 10)		1,829,699
Non-depreciable capital assets (Note 4)		26,808,138
Depreciable capital assets, net (Note 4)		199,081,736
Total noncurrent assets		268,833,380
Total assets		285,965,162
DEFERRED OUTFLOWS OF RESOURCES		
Loss on debt refunding (Note 6)		4,427,990
Total assets and deferred outflows	$	290,393,152
LIABILITIES		
Current liabilities:		
Accounts payable	$	10,767,861
Unearned revenue (Note 5)		4,652,780
Claims liability (Note 8)		104,518
Compensated absences payable - current portion (Note 6)		278,709
Premium on General Obligation Bonds (Note 6)		473,300
Long-term debt - current portion (Note 6)		2,858,451
Total current liabilities		19,135,619
Noncurrent liabilities:		
Compensated absences payable - noncurrent portion (Note 6)		848,793
Premium on General Obligation Bonds (Note 6)		9,794,938
Long-term debt - noncurrent portion (Note 6)		222,673,146
Total noncurrent liabilities		233,316,877
Total liabilities		252,452,496
NET POSITION		
Net investment in capital assets		29,392,344
Restricted for:		
Capital projects		372,041
Debt service		7,883,243
Scholarships and Loans		312,428
Unrestricted		(19,400)
Total net position		37,940,656
Total liabilities and net position	$	290,393,152

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

For the Year Ended June 30, 2014

Operating revenues:	
Tuition and fees	$ 7,361,256
Less: scholarship discounts and allowances	(2,398,601)
Net tuition and fees	4,962,655
Grants and contracts, non-capital:	
Federal	5,325,292
State and local	3,561,943
Total operating revenues	13,849,890
Operating expenses (Note 13):	
Salaries and benefits (Notes 8, 9 and 10)	44,109,884
Supplies, materials, and other operating expenses and services	7,635,668
Equipment, maintenance and repairs	123,249
Student financial aid	11,609,310
Depreciation (Note 4)	6,197,185
Total operating expenses	69,675,296
Loss from operations	(55,825,406)
Non-operating revenues (expenses):	
State apportionment, non-capital	189,074
Local property taxes (Note 7)	42,271,475
State taxes and other revenues	1,107,158
Pell grants	5,874,748
Investment income	56,463
Interest expense on capital asset-related debt, net	(7,600,460)
Other non-operating revenues	2,849,771
Total non-operating revenues (expenses)	44,748,229
Loss before capital revenues	(11,077,177)
Capital revenues:	
Local capital grants	3,139
Property taxes (Note 7)	12,262,462
Total capital revenues	12,265,601
Change in net position	1,188,424
Net position, July 1, 2013	36,752,232
Net position, June 30, 2014	$ 37,940,656

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014

Cash flows from operating activities:	
Tuition and fees	$ 5,127,955
Federal grants and contracts	5,089,126
State and local grants and contracts	2,459,836
Payments to employees	(44,400,367)
Payments to students, suppliers and vendors	(18,398,755)
Net cash used in operating activities	(50,122,205)
Cash flows from noncapital financing activities:	
State appropriations	189,074
Local property taxes	42,271,475
State taxes and other revenues	1,107,158
Other non-operating revenues	2,849,771
Pell grants	5,874,748
Net cash provided by noncapital financing activities	52,292,226
Cash flows from capital and related financing activities:	
Local property taxes, capital purposes	12,262,462
Principal paid on capital debt	(2,754,115)
Purchase of capital assets	(20,575,264)
Interest paid on capital debt, net	(7,709,499)
Local capital grants	3,139
Net cash used in capital and related financing activities	(18,773,277)
Cash flows provided by investing activities:	
Interest income	56,463
Net decrease in cash and investments	(16,546,793)
Cash and investments, beginning of year	71,120,094
Cash and investments, end of year	$ 54,573,301

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2014

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (55,825,406)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	6,197,185
Changes in assets and liabilities:	
Receivables, net	(395,382)
Prepaid expenses	(326,576)
Accounts payable	841,492
Unearned revenue	(928,934)
Claims liability	5,718
SERP liability	(228,254)
Compensated absences	(22,450)
Other postemployment benefits	16,272
Net cash used in operating activities	$ (50,666,335)
Noncash capital and related financing activities:	
Additions to capital assets - increase in accounts payable	$ 1,186,585
Capital assets acquired via capital leases	288,103
Amortization of Loss on Refunding	402,544
Amortization of premiums on capital debt	230,944
Total noncash capital and related financing activities	$ 2,108,176

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

	Agency Fund	Trust Funds	
	Associated Students of College of Marin	OPEB Trust	Investment Trust Fund
ASSETS			
Cash and investments (Note 2):			
Cash	$ 504,018	$ -	$ 1,001,781
Investments held by Fiscal Agent - CalPERS	-	2,501,792	-
Receivables	13,097	-	8,129
Total assets	517,115	2,501,792	1,009,910
LIABILITIES			
Accounts payable	40,872	-	51
Amount held for others	476,243	-	-
Total liabilities	517,115	-	51
NET POSITION			
Restricted	$ -	$ 2,501,792	$ 1,009,859

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2014

	OPEB Trust	Investment Trust Fund
Additions:		
Contributions and grants	$ -	$ 48,779
Interest income	337,529	1,275
Other local sources	-	3,000
Total additions	337,529	53,054
Deductions:		
Capital outlay	-	96,476
Administrative fees	3,228	-
Total deductions	3,228	96,476
Change in net position	334,301	(43,422)
Net position - held in trust, July 1, 2013	2,167,491	1,053,281
Net position - held in trust, June 30, 2014	$ 2,501,792	$ 1,009,859

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Presentation and Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. Under this model, the District's financial statements provide a comprehensive entity-wide perspective look at the District's financial position and activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when the obligation has been incurred. All significant intra-agency transactions have been eliminated.

Fiduciary funds for which the District acts only as an agent or trustee are not included in the business-type activities of the District. These funds are reported in the Statement of Fiduciary Net Position and the Statement of Change in Fiduciary Net Position at the fund financial statement level.

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

Cash and Cash Equivalents

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

Restricted Cash, Cash Equivalents and Investments

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Investments

The District records its investment in Marin County Treasury at fair value. Changes in fair value are reported as revenue in the Statement of Revenues, Expenses and Change in Net Position. The fair value of investments, including the Marin County Treasury external investment pool, at June 30, 2014 approximated their carrying value. Fair values of investments in the County investment pool are determined by the pool sponsor.

Receivables

Receivables consist of tuition and fee charges to students. Receivables also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District maintains an allowance for doubtful accounts at an amount which management considers sufficient to fully reserve and provide for the possible uncollectibility of other receivable balances.

Capital Assets

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 15 years for land improvements, and 5 years for most machinery and equipment.

The District capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing, net of interest earned on investments acquired with the proceeds of the borrowing. At June 30, 2014, the amount of interest expense on capital asset-related debt totaled $7,600,460, which is net of interest capitalized of $1,912,605.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District only has one item that qualifies for reporting in this category, which is the deferred loss on refunding reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Amortization for the year ended June 30, 2014 totaled $402,544.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District does not have any item of this type.

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.

Unearned Revenue

Revenue from federal, state and local special projects and programs is recognized when qualified expenditures have been incurred. Other funds, including tuition and student fees, received but not earned are recorded as unearned revenue until earned.

Net Position

The District's net position are classified as follows:

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

Unrestricted net position (Continued)

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District typically first applies the expense toward restricted resources, then to unrestricted resources. This practice ensures fully utilizing restricted funding each fiscal year.

Risk Management

As more fully described in Note 8, the District is partially self-insured with regard to dental and vision claims and certain other risks. The amount of the outstanding liability at June 30, 2014 for dental and vision claims includes estimates of future claim payments for known cases as well as provisions for incurred but not reported claims and adverse development on known cases which occurred through that date. Outstanding claims which are expected to become due and payable within the subsequent fiscal year are reflected as a claims liability on the District's Statement of Net Position.

State Apportionments

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

On Behalf Payments

GASB Cod. Sec. N50 requires that direct on-behalf payments for benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits of the State Teachers on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments. These payments consist of state general fund contributions to CalSTRS in the amount of approximately $536,000 (3.041% of salaries subject to CalSTRS).

Classification of Revenues and Expenses

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenues and Expenses (Continued)

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

Scholarship Discounts and Allowances

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

Estimates

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

In March 2012 GASB issued Statement No. 66, Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, Districts should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

In June 2012 GASB issued Statement No. 67, Financial Reporting for Pension Plans. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

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

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

2. CASH AND INVESTMENTS

District cash and investments at June 30, 2014, consisted of the following:

	District	Agency Fund	Trust Funds
Pooled Funds:			
Cash in County Treasury	$ 52,896,426	$ -	$ 1,007,515
Deposits:			
Cash on hand and in banks	1,444,475	504,018	(5,732)
Revolving fund	18,962	-	-
Cash held by Fiscal Agent	213,438	-	-
Investment held by Fiscal Agent - PERS	-	-	2,501,792
Total cash and investments	54,573,301	504,018	3,503,575
Less: restricted cash and investments:	(41,113,807)	-	(2,501,792)
Net cash and investments	$ 13,459,494	$ 504,018	$ 1,001,783

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, 2014.

Restricted Cash and investments

Restricted cash of $41,113,807 represents amounts held in the District's name with third party custodians for future construction projects and repayment of long-term liabilities.

Restricted investments of $2,501,792 represents the investments held by California Public Employees Retirement System (CalPERS) for the District's irrevocable trust account for other postemployment benefits.

2. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

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

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2014, the carrying amount of the District's accounts was $2,174,961 and the bank balance was $2,316,870. $583,976 of the bank balance was FDIC insured and $1,732,894 remained uninsured.

Credit Risk

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

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

At June 30, 2014, the District's OPEB Trust (the "Trust") investments are held by California Public Employees Retirement System (CalPERS) CERBT Strategy 2 investment portfolio, which is pooled with other agencies, therefore there are no significant credit risks related to the investments held.

Interest Rate Risk

The District's investment policies do not limit cash and investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. At June 30, 2014, the District had no significant interest rate risk related to cash and investments held.

The Trust does not have a formal investment policy that limits the cash and investment maturities as a means of managing their exposure to fair value arising from increasing interest rates. At June 30, 2014, the Trust had no significant interest rate risk related to investments held.

2. CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

The District and Trust do not place limits on the amount they may invest in any one issuer. At June 30, 2014, the District and Trust had no concentration of credit risk.

3. RECEIVABLES

Receivables at June 30, 2014 are summarized as follows:

Federal	$ 621,141
State	178,491
Local and other	3,162,106
	3,961,738
Less allowance for doubtful accounts	(1,006,368)
	$ 2,955,370

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2013	Additions	Deductions	Transfers	Balance June 30, 2014
Non-depreciable:					
Land	$ 3,119,170	$ -	$ -	$ -	$ 3,119,170
Construction in progress	7,867,388	15,821,580	-	-	23,688,968
Depreciable:					
Land improvements	26,227,838	3,125,861	-	-	29,353,699
Building improvements	198,475,984	191,150	-	-	198,667,134
Machinery and equipment	16,944,083	2,911,361	(319,249)	-	19,536,195
Total	252,634,463	22,049,952	(319,249)	-	274,365,166
Less accumulated depreciation:					
Land improvements	5,424,717	4,152,978	-	-	9,577,695
Building improvements	26,959,347	1,058,081	-	-	28,017,428
Machinery and equipment	10,213,292	986,126	(319,249)	-	10,880,169
Total	42,597,356	6,197,185	(319,249)	-	48,475,292
Capital assets, net	$ 210,037,107	$ 15,852,767	$ -	$ -	$ 225,889,874

At June 30, 2014, the District had capital assets acquired from capital leases with an original cost of $288,103 and accumulated depreciation totaling $57,620.

5. UNEARNED REVENUE

Unearned revenue for the District consisted of the following:

Unearned Federal and State revenue	$ 1,131,569
Unearned tuition and student fees	1,323,987
Unearned local revenue	2,197,224
Total unearned revenue	$ 4,652,780

6. LONG-TERM LIABILITIES

General Obligation Bonds

In April 2005, the District issued Series A, 2004 General Obligation Bonds aggregating $75,000,000. The bonds mature through August 2029 and bear interest at rates ranging from 3% to 5%. The proceeds from the issuance will be used to finance the acquisition, construction and modernization of certain District property and facilities. Resulting from the bond issuance, the District received a premium of $3,015,265 and paid issuance costs of $559,158. The premium is amortized over the life of the bond repayment. At June 30, 2014, the District has unamortized premiums of $681,765.

The annual payments required to amortize the Series A, 2004 General Obligation Bonds outstanding as of June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	$ 1,135,000	$ 387,450	$ 1,522,450
2016	1,345,000	325,450	1,670,450
2017	-	291,825	291,825
2018	-	291,825	291,825
2019	-	291,825	291,825
2020-2024	-	1,459,125	1,459,125
2025-2029	-	1,459,125	1,459,125
2030	6,485,000	145,913	6,630,913
	$ 8,965,000	$ 4,652,538	$ 13,617,538

In March 2009, the District issued Series B, 2004 General Obligation Bonds aggregating $75,000,000. The bonds mature through August 2038 and bear interest at rates ranging from 3% to 5%. The proceeds from the issuance will be used to finance the acquisition, construction and modernization of certain District property and facilities. Resulting from the bond issuance, the District received a premium of $1,982,513 and paid issuance costs of $1,148,198. The premium is amortized over the life of the bond repayment. At June 30, 2014, the District has unamortized premiums of $1,594,574.

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the Series B, 2004 General Obligation Bonds outstanding as of June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	$ 915,000	$ 3,336,213	$ 4,251,213
2016	1,000,000	3,307,488	4,307,488
2017	1,090,000	3,276,138	4,366,138
2018	1,185,000	3,242,013	4,427,013
2019	1,285,000	3,192,113	4,477,113
2020-2024	8,210,000	14,878,688	23,088,688
2025-2029	12,175,000	12,401,813	24,576,813
2030-2034	18,325,000	8,680,400	27,005,400
2035-2039	25,630,000	3,381,231	29,011,231
	$ 69,815,000	$ 55,696,097	$ 125,511,097

In May 2011, the District issued Series C, 2004 General Obligation Bonds aggregating $52,505,000. The bonds mature through August 2034 and bear interest at rates ranging from 3% to 5%. The proceeds from the issuance will be used to finance the acquisition, construction and modernization of certain District property and facilities. Resulting from the bond issuance, the District received a premium of $767,032 and paid issuance costs of $285,719. The premium is amortized over the life of the bond repayment. At June 30, 2014, the District has unamortized premiums of $701,965.

Year Ending June 30,	Principal	Interest	Total
2015	$ 210,000	$ 2,387,763	$ 2,597,763
2016	85,000	2,381,863	2,466,863
2017	35,000	2,379,463	2,414,463
2018	40,000	2,377,963	2,417,963
2019	35,000	2,376,463	2,411,463
2020-2024	2,740,000	11,634,863	14,374,863
2025-2029	6,405,000	10,675,731	17,080,731
2030-2034	31,060,000	7,381,225	38,441,225
2035	10,880,000	258,400	11,138,400
	$ 51,490,000	$ 41,853,734	$ 93,343,734

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

In November 2012, the District issued Series D, 2004 General Obligation Bonds aggregating $46,995,000. The bonds mature through August 2036 and bear interest at rates ranging from 3% to 3.25%. The proceeds from the issuance will be used to finance the acquisition, construction and modernization of certain District property and facilities and pay the costs of issuing Series D Bonds. Resulting from the bond issuance, the District received a premium of $401,662 and paid issuance costs of $120,809. The premium is amortized over the life of the bond repayment. At June 30, 2014, the District has unamortized premiums of $383,216.

Year Ending June 30,	Principal	Interest	Total
2015	$ -	$ 1,487,500	$ 1,487,500
2016	-	1,487,500	1,487,500
2017	-	1,487,500	1,487,500
2018	-	1,487,500	1,487,500
2019	-	1,487,500	1,487,500
2020-2024	-	7,437,500	7,437,500
2025-2029	-	7,437,500	7,437,500
2030-2034	13,430,000	6,396,200	19,826,200
2035-2037	33,565,000	2,074,838	35,639,838
	$ 46,995,000	$ 30,783,538	$ 77,778,538

In November 2012, the District issued 2012 General Obligation Refunding Bonds aggregating $44,380,000. The bonds mature through August 2028 and bear interest at rates ranging from 2.5% to 4%. The proceeds from the issuance will be used to advance refund a portion of the District's outstanding Election 2004 General Obligation Bonds, Series A and pay the cost of issuing the Refunding Bonds. Resulting from the bond issuance, the District received a premium of $7,445,473 and paid issuance costs of $425,765. The premium is amortized over the life of the bond repayment. At June 30, 2014, the District has unamortized premiums of $6,906,718.

6. LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2012 General Obligation Refunding Bonds as of June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	$ -	$ 1,670,250	$ 1,670,250
2016	-	1,670,250	1,670,250
2017	1,435,000	1,648,725	3,083,725
2018	1,630,000	1,594,600	3,224,600
2019	1,945,000	1,523,100	3,468,100
2020-2024	14,815,000	6,074,100	20,889,100
2025-2029	23,680,000	2,277,800	25,957,800
	$ 43,505,000	$ 16,458,825	$ 59,963,825

Prior-year Defeasance of Debt

In prior year, the District defeased certain General Obligation Bonds by placing proceeds of the new General Obligation Bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's financial statements. On June 30, 2014, $45,120,000 of bonds outstanding are considered defeased.

6. LONG-TERM LIABILITIES (Continued)

Lease Revenue Bonds

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

The annual payments required to amortize the Lease Revenue Bonds outstanding as of June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	$ 75,000	$ 28,858	$ 103,858
2016	85,000	26,139	111,139
2017	95,000	22,951	117,951
2018	100,000	19,294	119,294
2019	110,000	15,294	125,294
2020-2024	783,970	908,083	1,692,053
2025-2029	821,936	1,890,491	2,712,427
2030-2033	604,928	1,893,912	2,498,840
	$ 2,675,834	$ 4,805,022	$ 7,480,856

Supplemental Employee Retirement Plan

During the fiscal year ended June 30, 2013 and 2014, the District provided the option of a Supplemental Employee Retirement Plan to the District employees. Employees under the SERP will receive monthly annuity benefits. The District is obligated to pay annual installments for the calculated benefits for employees under the SERP and for the administration of the plan.

The annual requirements to amortize the SERP liability outstanding as of June 30, 2014 are as follows:

Year Ending June 30,	
2015	$ 460,755
2016	460,755
2017	460,755
2018	314,941
2019	49,224
	$ 1,746,430

6. LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Amounts Due Within Year
General Obligation Bonds	$ 223,440,000	$ -	$ 2,670,000	$ 220,770,000	$ 2,260,000
Lease Revenue Bonds	2,740,834	-	65,000	2,675,834	75,000
Bond Premium	10,499,182	-	230,944	10,268,238	473,300
Compensated Absences	1,149,952	-	22,450	1,127,502	278,709
SERP Liability	1,974,684	183,275	411,529	1,746,430	460,755
Note payable - PG&E	70,345	-	7,537	62,808	7,537
Capital leases obligations	-	288,103	11,578	276,525	55,159
	$ 239,874,997	$ 471,378	$ 3,419,038	$ 236,927,337	$ 3,610,460

7. PROPERTY TAXES

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

8. RISK MANAGEMENT

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

The dental and vision claims reserve activity for the years ended June 30, 2014 and 2013 is as follows:

	2014	2013
Liability balance, beginning of year	$ 98,800	$ 88,909
Claims and changes in estimates	629,603	635,717
Claims payments	(623,885)	(625,826)
Liability balance, end of year	$ 104,518	$ 98,800

9. EMPLOYEE RETIREMENT SYSTEMS

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

State Teachers' Retirement System (STRS)

Plan Description

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

Funding Policy

Active members of the DB Plan are required to contribute 8% 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 2013-2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of 4% with the sum of the District and employee contribution always being equal or greater than 8%.

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2014, 2013 and 2012 were $1,308,041, $1,432,479 and $1,442,859, 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. On June 24, 2014 the Governor signed Assembly Bill 1469 which will increase the member contribution to 19.1% over the next seven years.

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees' Retirement System (CalPERS)

Plan Descriptions

The District contributes to the School Employer Pool under California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the district is required to contribute an actuarially determined rate. The required employer contribution rate for fiscal year 2013-2014 was 11.442% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013 and 2012 were $1,439,003, $1,435,226 and $1,185,845, respectively, and equaled 100 percent of the required contributions for each year.

10. OTHER POSTEMPLOYMENT BENEFITS

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Annual required contribution	$ 771,401
Interest on net OPEB obligation	-
Adjustment to annual required contribution	81,948
Annual OPEB cost (expense)	853,349
Contributions made	(837,077)
Change in net OPEB obligation	16,272
Net OPEB obligation (asset) - beginning of year	(1,845,971)
Net OPEB obligation (asset) - end of year	$ (1,829,699)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2012	$ 876,308	87.0%	$ 304,699
June 30, 2013	$ 757,875	383.3%	$ (1,845,971)
June 30, 2014	$ 853,349	98.1%	$ (1,829,699)

As of April 29, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $5,188,334, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $5,188,334. The covered payroll (annual payroll of active employees covered by the Plan) was $1,863,851, and the ratio of the UAAL to the covered payroll was 278 percent. The OPEB plan is currently operated as a pay-as-you-go-plan.

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the April 29, 2013, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates include a 3 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was 13 years.

See required supplementary information following the notes to the financial statements, which presents multi-year trend information on whether assets are increasing or decreasing over time relative to the plan liabilities.

11. COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

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

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

Construction Commitments

As of June 30, 2014, the District has $10,984,216 in outstanding commitments on construction contracts.

12. JOINT POWERS AGREEMENTS

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

The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including the selection of management and approval of operating budgets, independent of any influence by the member district beyond their representation on the governing board. NCCCSIA, SELF and SWACC provide property and liability insurance for its members. MSIA provides workers' compensation insurance for its members. Marin Community College District pays a premium commensurate with the level of coverage requested. Settled claims resulting from these risks have not exceeded insurance coverage on any of the past three years.

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

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

	NCCCSIA June 30, 2013	SELF June 30, 2014	MSIA June 30, 2013	SWACC June 30, 2013
Total assets	$ 3,669,605	$ 162,746,000	$ 22,577,813	$ 52,337,870
Total liabilities	$ 1,093,142	$ 118,853,000	$ 17,499,843	$ 21,094,905
Net position	$ 2,576,463	$ 43,893,000	$ 5,077,970	$ 31,242,965
Total revenues	$ 7,743,185	$ 11,812,000	$ 10,733,061	$ 10,626,666
Total expenses	$ 8,138,887	$ 4,199,000	$ 10,286,683	$ 6,992,294
Change in net position	$ (395,702)	$ 7,613,000	$ 446,378	$ 3,634,372

13. OPERATING EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and change in net position for the year ended June 30, 2014.

Functional Classifications	Salaries and Benefits	Supplies, Materials and Other Operating Expenses and Services	Equipment, Maintenance and Repairs	Student Financial Aid	Depreciation	Total
Instruction	$ 22,098,265	$ 468,161	$ 7,648	$ -	$ -	$ 22,574,074
Academic Support	4,095,381	106,724	1,743	-	-	4,203,848
Student Services	5,320,439	634,483	10,365	-	-	5,965,287
Operations and Maintenance of Plant	2,892,623	1,730,385	28,267	-	-	4,651,275
Institution Support	6,993,182	3,662,976	58,352	-	-	10,714,510
Community Support	1,946,793	840,690	13,733	-	-	2,801,216
Ancillary Services	763,201	192,249	3,141	-	-	958,591
Student Aid	-	-	-	11,609,310	-	11,609,310
Depreciation	-	-	-	-	6,197,185	6,197,185
	$ 44,109,884	$ 7,635,668	$ 123,249	$ 11,609,310	$ 6,197,185	$ 69,675,296

REQUIRED SUPPLEMENTARY INFORMATION

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS

For the Year Ended June 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
September 1, 2008	$ -	$ 7,312,141	$ 7,312,141	0%	$ 5,974,919	122%
September 1, 2010	$ -	$ 6,604,857	$ 6,604,857	0%	$ 4,058,179	163%
April 29, 2013	$ -	$ 5,188,334	$ 5,188,334	0%	$ 1,938,814	268%

See accompanying notes to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULE

A - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

SUPPLEMENTARY INFORMATION

MARIN COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2014

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, 2014 were composed of the following members:

BOARD OF TRUSTEES

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

DISTRICT ADMINISTRATION

David Wain Coon Ed.D.
Superintendent/President

Gregory W. Nelson
Vice President, Finance and College Operations

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Education		
Direct Programs:		
Student Financial Aid Cluster:		
Federal Supplementary Educational Opportunity Program (FSEOG)	84.007	$ 183,500
Federal College Work Study (FWS)	84.033	281,814
Federal Direct Loan Program	84.268	4,601,512
Federal Pell Grants (PELL)	84.063	5,874,748
Subtotal Financial Aid Cluster		10,941,574
Passed through California Community College Chancellor's Office:		
Vocation and Applied Technology Education - Act Programs:		
Vocational and Applied Technology Educational Act - Title IC	84.048	128,759
Vocational and Applied Technology Educational Act - Title II - Tech Prep	84.048	44,025
Subtotal Vocational and Applied Technology Education Act Programs		172,784
Passed through California Department of Education:		
Early Childhood Mentor Program	84.405A	3,200
Total U.S. Department of Education		11,117,558
U.S. Department of Health and Human Services		
Passed through California Community College Chancellor's Office:		
Temporary Assistant to Needy Families (TANF)	93.558	15,097
Passed through California Department of Education:		
Child Development Training Consortium	93.575	10,504
Foster Care Education	93.658	35,129
Total U.S. Department of Health and Human Services		60,730
U.S. Department of Agriculture - Passed through California Department of Education		
Child Care Food Program	10.558	21,752
Total Federal Programs		$ 11,200,040

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2014

	Program Entitlements			Program Revenues				
	Prior Year Carry-forward	Current Entitlement	Total Entitlement	Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total	Program Expend-itures
Administrative 2% Enrollment Fee Waivers	$ -	$ 43,518	$ 43,518	$ 43,518	$ -	$ -	$ 43,518	$ 43,518
Nursing Enrollment Growth	49,369	187,470	236,839	210,599	26,240	-	236,839	236,839
Basic Skills	76,168	90,000	166,168	166,168	-	45,098	121,070	121,070
BFAP Administrative	-	198,231	198,231	198,231	-	-	198,231	198,231
Cal Grants	-	291,279	291,279	290,816	463	-	291,279	291,279
CalWORKs	-	144,215	144,215	144,215	-	-	144,215	144,215
CARE	-	37,254	37,254	-	37,254	-	37,254	37,254
Child Care Food Program - Preschool	-	1,275	1,275	999	276	-	1,275	1,275
Child Development Bailout Tax	-	75,862	75,862	75,862	-	-	75,862	75,862
AB86 Adult Education	-	217,558	217,558	108,779	-	108,761	18	18
Child Development - State Preschool	-	148,122	148,122	148,122	-	-	148,122	148,122
DSPS	448	665,696	666,144	666,144	-	-	666,144	666,144
EOPS	-	441,286	441,286	441,286	-	-	441,286	441,286
Faculty/Staff Development	11,325	-	11,325	11,325	-	11,325	-	-
Faculty/Staff Diversity	78	4,302	4,380	4,380	-	-	4,380	4,380
Foster Care Education	-	37,500	37,500	21,294	16,206	-	37,500	37,500
Hazardous Substance	11,199	-	11,199	11,199	-	4,879	6,320	6,320
Instructional Equipment & Library Materials	590	109,713	110,303	110,303	-	110,303	-	-
Lottery - Proposition 20	406,351	135,306	541,657	406,351	135,306	476,136	65,521	65,521
Student Success - Credit	-	378,959	378,959	378,959	-	-	378,959	378,959
Student Success - Noncredit	-	59,154	59,154	59,154	-	-	59,154	59,154
Peace Officers Training	5,300	880	6,180	6,180	-	3,000	3,180	3,180
Scheduled Maintenance and Repair	200,000	109,705	309,705	309,705	-	237,604	72,101	72,101
TANF	-	15,098	15,098	15,098	-	-	15,098	15,098
Transfers & Articulation	40	-	40	40	-	40	-	-
Total State Programs	$ 760,868	$ 3,392,383	$ 4,153,251	$ 3,828,727	$ 215,745	$ 997,146	$ 3,047,326	$ 3,047,326

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT

Annual Attendance as of June 30, 2014

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2013 only)			
1. Noncredit	-	-	-
2. Credit	-	-	-
B. Summer Intersession (Summer 2014 - Prior to July 1, 2014)			
1. Noncredit	14	-	14
2. Credit	209	-	209
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	3,337	(4)	3,333
b. Daily Census Contact Hours	172	-	172
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	218	-	218
b. Credit	195	-	195
3. Alternative Attendance Accounting Procedure			
a. Weekly Census Procedure Courses	221	-	221
b. Daily Census Procedure Courses	-	-	-
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
D. Total FTES	4,366	(4)	4,362
Supplementary Information:			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	217	-	217
b. Credit	405	-	405
CCFS 320 Addendum			
CDCP	-	-	-
Centers FTES			
a. Noncredit	19	-	19
b. Credit	633	-	633

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, 2014

	General Fund
June 30, 2014 Annual Financial and Budget Report (Form CCFS-311) Fund Balances:	$ 5,340,253
Adjustments decreasing fund balance:	
Post-Closing Entries	
Understatement of Accounts Payable	(544,130)
June 30, 2014 Audited Financial Statements Fund Balance	$ 4,796,123

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

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION

For the Year Ended June 30, 2014

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional salaries:							
Contract or regular	1100	$ 7,082,658	$ -	$ 7,082,658	$ 7,082,658	$ -	$ 7,082,658
Other	1300	7,011,358	-	7,011,358	7,011,358	-	7,011,358
Total instructional salaries		14,094,016	-	14,094,016	14,094,016	-	14,094,016
Non-instructional salaries:							
Contract or regular	1200	-	-	-	2,501,737	-	2,501,737
Other	1400	-	-	-	652,653	-	652,653
Total non-instructional salaries		-	-	-	3,154,390	-	3,154,390
Total academic salaries		14,094,016	-	14,094,016	17,248,406	-	17,248,406
Classified Salaries							
Non-instructional salaries:							
Regular status	2100	-	-	-	7,441,636	-	7,441,636
Other	2300	-	-	-	444,378	-	444,378
Total non-instructional salaries		-	-	-	7,886,014	-	7,886,014
Instructional aides:							
Regular status	2200	894,894	-	894,894	894,894	-	894,894
Other	2400	232,567	-	232,567	232,567	-	232,567
Total instructional aides		1,127,461	-	1,127,461	1,127,461	-	1,127,461
Total classified salaries		1,127,461	-	1,127,461	9,013,475	-	9,013,475
Employee benefits	3000	5,224,198	-	5,224,198	11,023,893	-	11,023,893
Supplies and materials	4000	-	-	-	401,536	-	401,536
Other operating expenses	5000	-	-	-	3,588,415	-	3,588,415
Equipment replacement	6420	-	-	-	-	-	-
Total expenditures prior to exclusions		$ 20,445,675	$ -	$ 20,445,675	$ 41,275,725	$ -	$ 41,275,725

(Continued)

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
(Continued)
For the Year Ended June 30, 2014

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	$ 687,138	$ -	$ 687,138	$ 687,138	$ -	$ 687,138
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	391	-	391
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	565,934	-	565,934
Objects to exclude:							
Rents and leases	5060	-	-	-	25,211	-	25,211
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
Supplies and materials:	4000						
Software	4100	-	-	-	-	-	-
Books, magazines and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	-	-	-
Noninstructional supplies and materials	4400	-	-	-	-	-	-
Total supplies and materials		-	-	-	-	-	-
Other operating expenses and services	5000	-	-	-	565,322	-	565,322
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	68,561	-	68,561
Equipment:	6400						
Equipment - additional	6410	-	-	-	1,353,153	-	1,353,153
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	1,421,714	-	1,421,714
Total capital outlay		-	-	-	1,421,714	-	1,421,714
Other outgo	7000	-	-	-	-	-	-
Total exclusions		$ 687,138	$ -	$ 687,138	$ 3,265,710	$ -	$ 3,265,710
Total for ECS 84362, 50% Law		$ 19,758,537	$ -	$ 19,758,537	$ 38,010,015	$ -	$ 38,010,015
Percent of CEE (instructional salary cost /Total CEE)		51.98%	-	51.98%	100.00%	-	100.00%
50% of current expense of education					$ 19,005,008	$ -	$ 19,005,008

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT

PROP 30 EPA EXPENDITURE REPORT

For the Year Ended June 30, 2014

EPA Proceeds: $ 403,214

Activity Classification	Activity Code (0100-5900)	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	-	$ 403,214	$ -	$ -	$ 403,214

See accompanying notes to supplemental information.

1. PURPOSE OF SCHEDULES

A - Schedule of Expenditure of Federal Awards

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

B - Schedule of State Financial Awards

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

C - Schedule of Workload Measures for State General Apportionment

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

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

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

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

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

F - Prop 30 EPA Expenditure Report

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

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
Marin Community College District
Novato, California

Report on Compliance with State Laws and Regulations

We have audited the compliance of Marin Community College District with the types of compliance requirements described in Section 400 of the *California State Chancellor's Office's California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2014:

Salaries of Classroom Instructors (50 Percent Law)
Apportionment for Instructional Service Agreements/Contracts
State General Apportionment Funding System
Residency Determination for Credit Courses
Students Actively Enrolled
Concurrent Enrollment of K 12 Students in Community College Credit Courses
Schedule Maintenance Program
Gann Limit Calculation
Open Enrollment
Student Fees Health Fees and Use of Health Fee Funds
Proposition 39 Clean Energy
Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Disabled Student Programs and Services (DSPS)
To Be Arranged Hours (TBA)
Proposition 1D State Bond Funded Projects
Proposition 30 Education Protection Account Funds

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations as listed above of Marin Community College District. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the California State Chancellor's Office's California Community College District Audit Manual. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Marin Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with State laws and regulations. However, our audit does not provide legal determination of Marin Community College District's compliance with those requirements.

Basis for Qualified Opinion with State Laws and Regulations

As described in Findings 2014-005, 2014-006 and 2014-007 in the accompanying Schedule of Audit Findings and Questioned Costs, Marin Community College District did not comply with the requirements regarding Open Enrollment, Disabled Students Programs and Services (DSPS) and Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE). Compliance with such requirements is necessary, in our opinion, for Marin Community College District to comply with state laws and regulations applicable to Open Enrollment, DSPS and EOPS.

Qualified Opinion with State Laws and Regulations

In our opinion, except for the noncompliance, described in the Basis for Qualified Opinion paragraph, Marin Community College District complied, in all material respects, with the compliance requirements associated with the state laws and regulations listed above for the year ended June 30, 2014. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Marin Community College District had not complied with the state laws and regulations.

Other Matters

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

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
February 11, 2015

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

Board of Trustees
Marin Community College District
Novato, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of Marin Community College District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Marin Community College District's basic financial statements, and have issued our report thereon dated February 11, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified other matters involving internal control that were communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2014-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marin Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
February 11, 2015

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

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

Board of Trustees
Marin Community College District
Novato, California

Report on Compliance for Each Major Federal Program

We have audited Marin Community College District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Marin Community College District's major federal programs for the year ended June 30, 2014. Marin Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Marin Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marin Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Marin Community College District's compliance.

Basis for Qualified Opinion on Student Financial Aid Cluster

As described in the accompanying schedule of findings and questioned costs, Marin Community College District did not comply with requirements regarding Student Financial Aid Cluster as described in finding numbers 2014-003 and 2014-004 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Marin Community College District to comply with the requirements applicable to that program.

Qualified Opinion on Student Financial Aid Cluster

In our opinion, except for the non compliance described in the Basis for Qualified Opinion paragraph, Marin Community College District complied, in all material respects, with types of compliance requirements referred to above that could have a direct and material effect on Student Financial Aid Cluster for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Audit Findings and Questioned costs as item 2014-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of Marin Community College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Marin Community College District’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marin Community College District’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-003 and 2014-004 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-002 to be significant deficiencies.

Marin Community College District's responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of Audit Findings and Questioned Costs. Marin Community College District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
February 11, 2015

FINDINGS AND RECOMMENDATIONS

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	__X__ None reported
Noncompliance material to financial statements noted?	______ Yes	__X__ No

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	__X__ Yes	______ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	__X__ Yes	______ None reported
Type of auditor's report issued on compliance for major programs:	Qualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	__X__ Yes	______ No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000	
Auditee qualified as low-risk auditee?	______ Yes	__X__ No

STATE AWARDS

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

SECTION II - FINANCIAL STATEMENT FINDINGS

2014-001 INTERNAL CONTROLS - DEFICIENCY - EMPLOYEE MASTERFILE

Criteria

Internal Controls - Safeguarding of assets.

Condition

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

Effect

Risk of incorrect entries into the employee masterfile may not be detected in a timely manner.

Cause

The controls were not properly designed and operating.

Questioned Costs

Not determinable.

Recommendation

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

Corrective Action Plan

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2014-002 FEDERAL COMPLIANCE - SIGNIFICANT DEFICIENCY - STUDENT FINANCIAL AID CLUSTER - SPECIAL TESTS AND PROVISIONS (RETURN OF TITLE IV FUNDS)

Criteria

Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to ED or the appropriate Federal Direct Loan lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (34 CFR section 668.173(b)).

Condition

Title IV funds for five (5) students out of 25 were not returned to ED within the 45 days after the institution determined the student withdrew.

Effect

The District is not in compliance with Federal requirements regarding the Return of Title IV Funds.

Cause

Lack of adequate controls/oversight to ensure funds are returned within 45 days from the date the institution determines the student withdrew.

Questioned Costs

Not determinable.

Recommendation

The District should implement controls to ensure funds are returned within 45 days after the institution determines the student withdrew.

Corrective Action Plan

Procedures have been developed and documented, and include running reports weekly for students who have completely withdrawn or dropped all of their classes, performing R2T4 calculations for all students on the reports, with a review and sign off on the reports upon completion.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2014-003 FEDERAL COMPLIANCE - MATERIAL WEAKNESS - STUDENT FINANCIAL AID CLUSTER - ELIGIBILITY (SATISFACTORY ACADEMIC PROGRESS)

Criteria

34, CFR Section 668.34, "An institution must establish a reasonable satisfactory academic progress policy (SAP) for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the title IV, HEA programs."

Condition

Five (5) out of sixty (60) students selected for testing did not maintain good standing or academic progress; the District did not disqualify these students in a timely manner.

Effect

The District is not in compliance with Federal requirements regarding the eligibility of students.

Cause

Lack of oversight to ensure timely review of the eligibility of financial aid recipients.

Questioned Costs

Known questioned costs by type of financial aid award are as follows:

Pell - $21,339
Direct loans - $20,722

Recommendation

The District should follow their SAP policy and evaluate all student's eligibility at the end of each semester.

Corrective Action Plan

The District is complying with its revised Satisfactory Academic Progress Standard. A new process has been implemented whereby at the end of each semester, the SAP status is calculated for each student who has applied for federal student aid via the FAFSA. The SAP status is populated into the student's MYCOM portal and the student is alerted via email to check his/her SAP status.

In addition, the SAP status is populated in a designated Banner field which will prevent any federal aid from being disbursed if the student does not meet the minimum academic standard required.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2014-004 FEDERAL COMPLIANCE - MATERIAL WEAKNESS - STUDENT FINANCIAL AID CLUSTER - ELIGIBILITY (RECORD RETENTION)

Criteria

34 CFR 668.24, "(c) Required records. (1) The records that an institution must maintain in order to comply with the provisions of this section include but are not limited to—
(i) The Student Aid Report (SAR) or Institutional Student Information Record (ISIR) used to determine eligibility for title IV, HEA program funds;
(ii) Application data submitted to the Secretary, lender, or guaranty agency by the institution on behalf of the student or parent;
(iii) Documentation of each student's or parent borrower's eligibility for title IV, HEA program funds;
(iv) Documentation relating to each student's or parent borrower's receipt of title IV, HEA program funds, including but not limited to documentation of—"

Condition

SAR comment code 002 indicates professional judgment was used. Professional judgment refers to the authority of a District's financial aid administrator to make adjustment to data elements on the FAFSA and to override a student's dependency status.

Out of sixty (60) students selected for testing, professional judgment was used for two (2) students. The District did not maintain support for professional judgment decisions (i.e. pay-stubs, tax returns, W2 forms) for the two (2) students with SAR comment code 002.

Effect

The District is not in compliance with Federal requirements regarding retention of records.

Cause

The District's former Director of Student Financial Aid did not properly maintain documents to support professional judgment decisions.

Questioned Costs

Known questioned costs by type of financial aid award are as follows:

Pell - $10,435
Direct loans - $10,932

Recommendation

The District should obtain documents to support professional judgment changes and maintain the documents within the student files.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2014-004 FEDERAL COMPLIANCE - MATERIAL WEAKNESS - STUDENT FINANCIAL AID CLUSTER - ELIGIBILITY (RECORD RETENTION) (Continued)

Corrective Action Plan

The District has adopted a new form and procedure for requesting professional judgment for dependency override. This form must be completed by the student. In addition, documented evidence of the student's unique situation must be provided. Enrollment Services (ES) staff will review the form and documentation before accepting it at the ES window.

An ES staff will analyze the form and documentation for approval or denial of the professional judgment. In either case, the form is then filed in the student's file.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2014-005 STATE COMPLIANCE - DEFICIENCY - OPEN ENROLLMENT

Criteria

Community college districts shall comply with the CCR, Title V, provisions related to open enrollment by the general public for all the courses being submitted for state apportionment funding.

Condition

One course was not properly listed in the class schedule and advertised to the general public.

Effect

The finding results in an overstatement of 3.60 FTES. We examined the listing of ECE courses and have determined that there were no other sections with high school students concurrently enrolled, therefore no extrapolation applies.

Cause

The District did advertise the ECE course with high school special admit students to the general public.

Questioned Costs

Not determinable.

Recommendation

The District should revise and resubmit the CCFS 320 report to remove the disallowed FTES.

Corrective Action Plan

The course was removed from the Annual CCFS 320 report filed with the Chancellor's Office in July 2014. Another mitigating factor is the District does not receive apportionment funding from the state.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2014-006 STATE COMPLIANCE - DEFICIENCY - DISABLED STUDENTS PROGRAM AND SERVICES (DSPS)

Criteria

Title 5 Section 56002 states: "To qualify, a person must: (1) be enrolled in a community college; (2) have a verifiable disability (sections 56032-44); (3) be unable to fully benefit from the regular programs and services offered by the college due to the educational functional limitation of the disability; and (4) need specialized services or instruction in order to mitigate these disability-related educational limitations."

Condition

Sample selections were made from the detailed listing of students receiving DSPS support and services for the 2013-2014 academic year.

The District was unable to provide the verification of disability for 2 of the 25 students selected for testing.

Effect

The District is not in compliance with State requirements for DSPS. Based on a total of 620 students receiving DSPS services and support, the extrapolated error of this finding is 50 students.

Cause

The District was unable to provide the verification for two of the students selected.

Questioned Costs

Not determinable.

Recommendation

The District should implement procedures to ensure all the required documents are maintained in the student files.

Corrective Action Plan

To ensure that all files are complete, meaning that they contain verification of the disability AND either a signed student contract OR verified enrollment in an Adapted PE course, students in process of completing assessment for disability will not be entered into MIS until verification of disability. Also, Student Accessibility Services (SAS) has set up additional reviews by trained personnel prior to submission of MIS data. Additionally, increased oversight will be provided by the SAS Director, a new position presently in the process of being filled. Any file that is incomplete will be updated as appropriate.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2014-007 STATE COMPLIANCE - DEFICIENCY - ECONOMIC OPPORTUNITY PROGRAMS AND SERVICES (EOPS) AND COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE)

Criteria

Per guidelines set forth by the California State Chancellor's Office, the EOPS student eligibility should be verified and documented. Required documents are: 1) EOPS application; 2) EOPS student education pla; 3) EOPS mutual responsibility contract. The documentation in an EOPS student's file should have the necessary information cited above, and it should be signed by the appropriate college staff, i.e., EOPS Director, EOPS Counselor or college Counselor, along with the signature of the student to whom services were provided.

Condition

Sample selections were made from the detailed listing of students receiving EOPS support and services for the 2013-2014 academic year.

Out of 25 students selected for testing, one did not have a current EOPS/CARE application.

Effect

The District is not in compliance with State requirements for EOPS/CARE. Based on a total of 366 students receiving EOPS/CARE services and support, the extrapolated error of this finding is 15 students.

Cause

Adequate procedures are not in place to ensure applications are maintained in the student files.

Questioned Costs

Not determinable.

Recommendation

The District should implement procedures to the ensure compliance with EOPS/CARE recordkeeping requirements.

Corrective Action Plan

The EOPS Specialist position is now permanently staffed and it is anticipated that a full time Director will be hired in the spring. The Coordinator will continue the practice of reviewing each file for compliance with the regulations and will ensure that the communication with the new Specialist ensures the accuracy of MIS data. Additionally, the Coordinator will begin conducting a file review mid-semester when documenting the mid-term grade check.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

MARIN COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2014

Findings	Recommendations	Current Status	District Explanation If Not Fully Implemented
2013-01 There is no evidence of any review by Human Resources of wage or other changes after the information is entered into the District's employee masterfile.	The District should design controls to ensure employee masterfile changes entered by Human Resources are verified by another independent individual in Human Resources after the changes are entered in the employee masterfile. Formal documentation should include the reviewer's signature/initial and the date of review. The date of the review should precede any pay date that would be affected.	Not Implemented.	See Schedule of Audit Findings and Questioned Costs, Finding #2014-001.
2013-02 The District's calculated instructional salary cost as a percent of the total current expense of education was less than 50 percent.	The District should continuously monitor its current expense of education and ensure that the District will meet the requirements of Education Code 84362.	Implemented.	