

MARIN COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS

June 30, 2016

MARIN COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4
BASIC FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION.....	15
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION.....	16
STATEMENT OF CASH FLOWS.....	17
STATEMENT OF FIDUCIARY NET POSITION.....	19
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION.....	20
NOTES TO THE FINANCIAL STATEMENTS.....	21
REQUIRED SUPPLEMENTARY INFORMATION:	
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS.....	47
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY..	48
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS.....	50
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION.....	52
SUPPLEMENTARY INFORMATION:	
ORGANIZATION - UNAUDITED.....	53
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	54
SCHEDULE OF STATE FINANCIAL AWARDS.....	55
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT.....	56

MARIN COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

CONTENTS
(Continued)

SUPPLEMENTARY INFORMATION: (CONTINUED)

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED BASIC FINANCIAL STATEMENTS.....	57
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION.....	58
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION.....	59
PROP 30 EPA EXPENDITURE REPORT.....	61
NOTE TO SUPPLEMENTARY INFORMATION.....	62
INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE REQUIREMENTS.....	63
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	65
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE.....	67
FINDINGS AND RECOMMENDATIONS:	
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS.....	69
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS.....	73

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Marin Community College District
Kentfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of Marin Community College District, as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 14 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of Employer Contributions, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 47 to 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marin Community College District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016 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
November 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2016

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, 2016 and the intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial standing, this analysis should be read in conjunction with the entire Independent Auditor's Report, particularly the District's financial statements beginning on page 15, and the notes to the basic financial statements beginning on page 21.

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

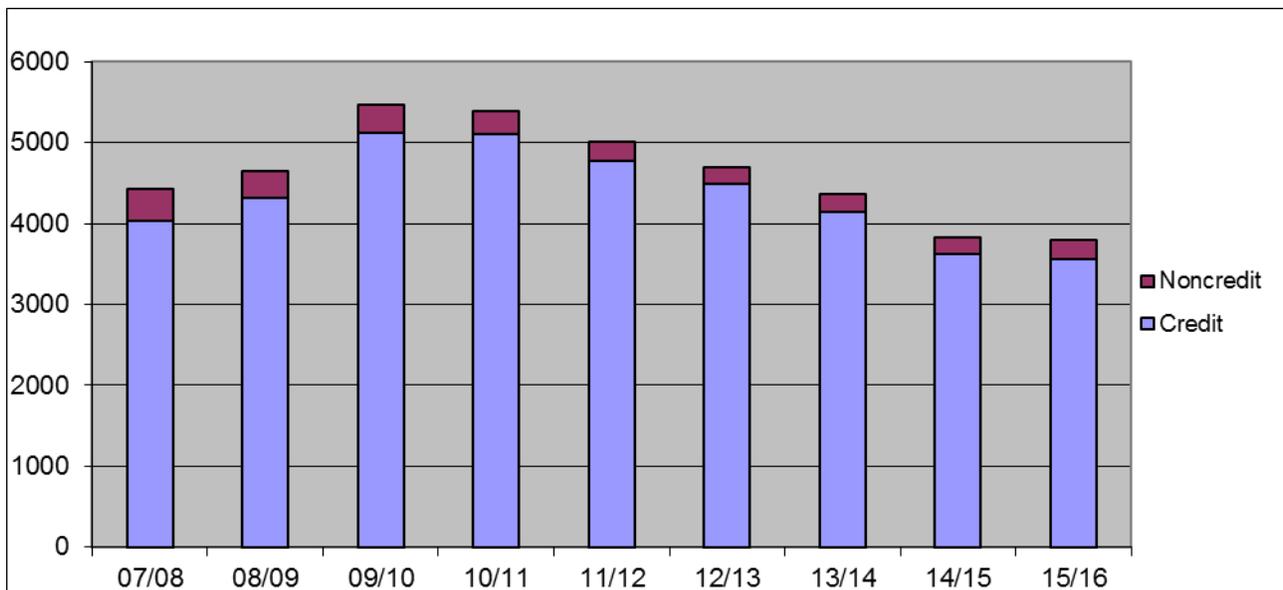
Fiscal Year Ending June 30, 2016

Financial Highlights

- Marin County property values appear to have recovered to pre-recession values. The District continues to maintain its “Basic Aid” status because the receipts from local property taxes and enrollment fees exceeded the State’s computational revenues under SB 361 for 2015-16 by about \$26.1 million. SB 361, enacted as part of the 2006 Budget Act, implemented major reforms to improve the equity and transparency of the California Community Colleges funding model. SB 361 further established a funding model that would provide growth funding for credit courses at a uniform rate across the CCC system, thereby ensuring that funding remained equalized in the future. The funding model starts with a college/district’s base allocation, but its primary basis for calculating the revenue limit remains the Full-Time Equivalent Students (FTES).
- FTES totaled 3,799 representing a 0.8% decrease over the prior fiscal year. The recent decline in enrollment is attributable to a convergence of factors including changes in state policy on course repeatability, implementation of a “pay-as-you-go” policy to reduce the amount of student debt, compliance with federal regulations that allow financial aid only for those students making satisfactory academic progress, and an improved economy.

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

FTES Statistics
2007/08 – 2015/16



MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2016

Financial Highlights (continued)

- Fiscal year 2015-16 fund-level net position ended higher than originally budgeted due to higher than anticipated revenues offset by lower spending. Unrestricted revenues were about \$1.1 million higher, primarily due to property taxes. Unrestricted expenditures were approximately \$1.2 million lower than budget primarily due to lower than anticipated salaries, benefits (despite the increase resulting from the state "On-Behalf" payments) and operating costs, offset by higher capital outlay and other outgo. The year ended with the unrestricted fund reserve level at 12.3%.
- Net costs for employee compensation in the unrestricted fund increased about 12.8% compared to the prior year actual expenditures. The increase was primarily attributable to negotiating bargaining unit agreements. As a result, faculty salaries increased by 20.0% which included retroactivity for two prior fiscal years. We anticipate faculty salaries will be lower next fiscal year because we won't have the spike of multiple years' impacts in a single fiscal year. Classified salaries remained flat due to vacant positions not being filled. Administrators' salaries increased 13.2% due to step and column increases and newly added positions.
- The Board directed funding the retiree healthcare obligation (other post-employment benefits or "OPEB") in advance rather than on the prior "pay as you go" basis. Between Fiscal Years 2005-06 and 2009-10, the District pre-funded the obligation transferring \$2,000,000 out of the General Fund into the Retiree Unfunded Medical Benefits Liability Fund. This pre-funding accumulated interest earnings in the amount of \$164,078. In June 2013, the District established an irrevocable OPEB trust fund with CalPERS, formally named the California Employers' Retiree Benefit Trust (CERBT) fund, and transferred the \$2,164,078 fund balance from the previous Retiree Unfunded Medical Benefits Liability Fund to the irrevocable OPEB Trust fund.

In June 2016, the District's Board of Trustees approved an \$850,000 contribution to the irrevocable trust fund. The FY 2016-17 Adoption Budget anticipates the District will begin receiving "pay-as-you-go" reimbursements from the trust fund for its retiree medical and dental premium payments.

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

- The District provided Financial Aid to over 3,795 qualifying students in FY 2015-16 translating to about \$18.5 million in aid. This aid is provided through grants, loans, scholarships and work study from the Federal government, the State, and local funding.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2016

Capital Asset and Debt Administration

- On November 2, 2004 the voters of Marin County overwhelmingly passed Measure C, a \$249.5 million bond for facilities maintenance, job training and safety, passing with more than 60 percent of the vote, easily surpassing the required 55 percent. With the bond, the College has been able to modernize science labs, classrooms, and libraries; provide modern computer technology; upgrade fire safety, campus security, disabled access, energy conservation systems and electrical wiring for computer technology; and repair, construct, acquire, and/or equip classrooms, labs, sites and facilities. The College retained the services of Swinerton Management & Consulting, Inc. as its Measure C program and construction management provider through the end of 2012. Beginning January 1, 2013, the College retained Jacobs Project Management Co. to assume the role of program and construction management and to continue to work with the District's faculty, staff and students to implement the Measure C work in accordance with the Facilities Development and Master Plan.
- In April 2005, \$75 million in bonds were sold pursuant to the terms of a public sale. An additional \$75 million in bonds were sold in February 2009, and another \$52.505 million in bonds were sold in June 2011. In December 2012, the balance of the bonds, \$46.995 million were sold. All proceeds were delivered to the Marin County Treasury for credit of College of Marin into its building fund.
- In March 2016, the District took advantage of low interest rates and refinanced previously-issued general obligation bonds. This refinancing is also known as "refunding." In this bond refunding, the District deposited refunding bond proceeds of \$40,845,000 and related net premium of \$2,109,198 into the Measure C Bond Redemption Fund. In addition, the District placed \$42,601,665 into a refunded bond escrow trust account to pay for the refunded bonds. The refunding bond transaction incurred \$103,704 underwriting costs and \$221,829 issuance costs. In total, the 2016 bond refinancing transaction represents a net present value savings to the taxpayers of \$4.29 million over the life of the bonds. The District previously closed other bond refundings in June 2015 and December 2012, which saved taxpayers approximately \$1.91 million and \$6.36 million, respectively, over of the life of the refunded bonds.
- Major milestones achieved in the District's Capital Improvement and Modernization Program (2015-16) included:
 - Academic Center (formerly Gateway) - construction complete in summer 2015.
 - Austin Demolition & related – 100% construction complete.
 - IVC Retaining Walls - Phase 1
 - Campus Maps and Finger Post Signs
 - MS-3 demolition
 - James Dunn Theater Handrails – Phase 2
- The 2016-17 budget outlines approximately \$2.3 million in construction and modernization plans including the final completion of the ADA building upgrades at IVC Pomo Cluster, infrastructure, and technology projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2016

Capital Asset and Debt Administration (continued)

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

- In November 2016, the District issued \$60 million of Series A general obligation bonds that are Federally tax exempt, and \$37.5 million of Series A-1 general obligation bonds that are Federally taxable.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2016

Statement of Net Position

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

NET POSITION

June 30, 2016 and 2015

(In Thousands)

	2016	2015	% Change
Current Assets			
Cash and Cash Equivalents	\$ 17,857	\$ 16,564	7.81%
Other Current Assets	2,534	2,546	-0.47%
Total Current Assets	20,391	19,110	6.70%
Non-Current Assets			
Restricted Cash and Cash Equivalents	10,910	21,721	-49.77%
OPEB Asset	3,535	2,288	54.50%
Capital Assets, Net of Depreciation	244,205	241,516	1.11%
Total Non-Current Assets	258,650	265,525	-2.59%
Deferred Outflow			
Pension	7,348	4,897	50.05%
Gain on Debt Refunding	10,642	7,115	49.57%
Total Assets and Deferred Outflow	\$ 297,031	\$ 296,647	0.13%
Current Liabilities			
Accounts Payable and Accrued Liabilities	\$ 9,682	\$ 10,317	-6.15%
Deferred Revenues	4,312	4,399	-1.98%
Claims Liability	71	74	-4.05%
Compensated Absences - Current Portion	290	253	14.62%
Premium on General Obligation Bonds	755	744	1.48%
Long-Term Liabilities - Current Portion	3,904	3,971	-1.69%
Total Current Liabilities	19,014	19,758	-3.77%
Non-Current Liabilities			
Long-Term Liabilities	279,159	268,348	4.03%
Total Liabilities	298,173	288,106	3.49%
Deferred Inflow			
Pension	4,427	9,995	-55.71%
Net Position			
Invested in Capital Assets	22,242	27,420	-18.35%
Restricted	10,248	8,611	19.01%
Unrestricted	(38,059)	(37,485)	1.53%
Total Net Position	(5,569)	(1,454)	283.01%
Total Liabilities and Net Position	\$ 297,031	\$ 296,647	0.13%

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2016

Statement of Net Position (continued)

- The \$1.3 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 \$10.8 million relates primarily to the Measure C bond construction spending.
- The net increase in capital assets of \$2.7 million represents additions to depreciable assets, net of actual depreciation of \$7.1 million for 2015-16, offset by assets taken out of service. 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 \$631 thousand net decrease in Accounts Payable and Accrued Liabilities relates to timely receipt and payment of invoices.
- Long-term liabilities increased \$10.8 million primarily from an increase in net pension liabilities added under GASB 68.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2016

Statement of Revenues, Expenses and Change in Net Position

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

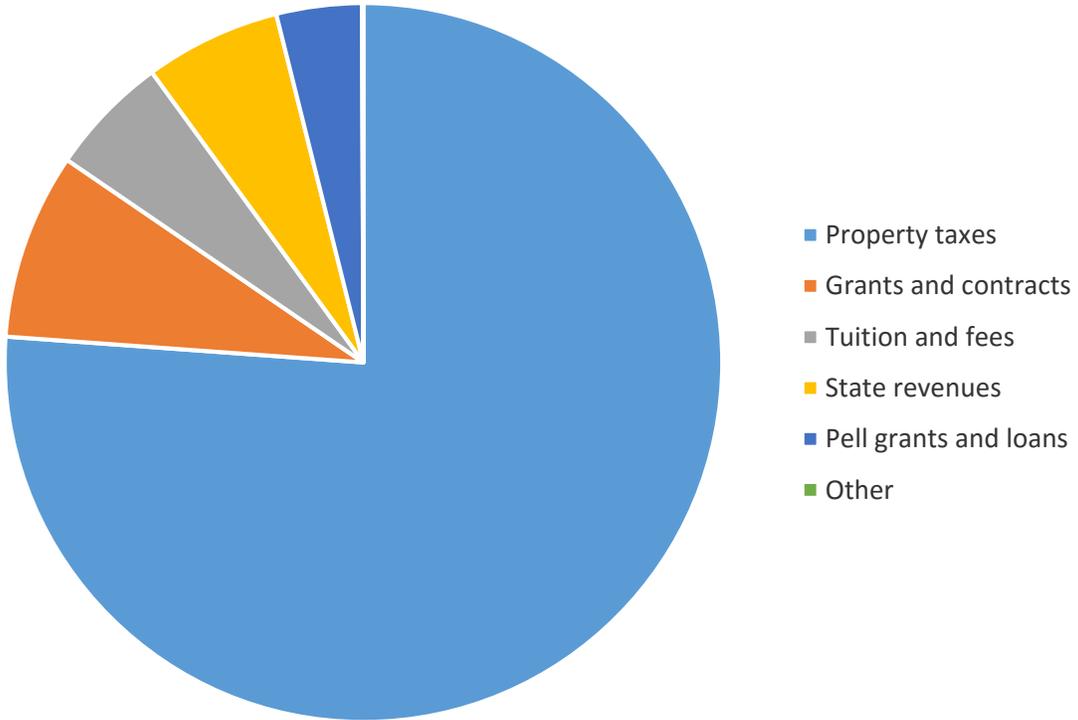
Operating Results

For the Years Ended June 30, 2016 and 2015

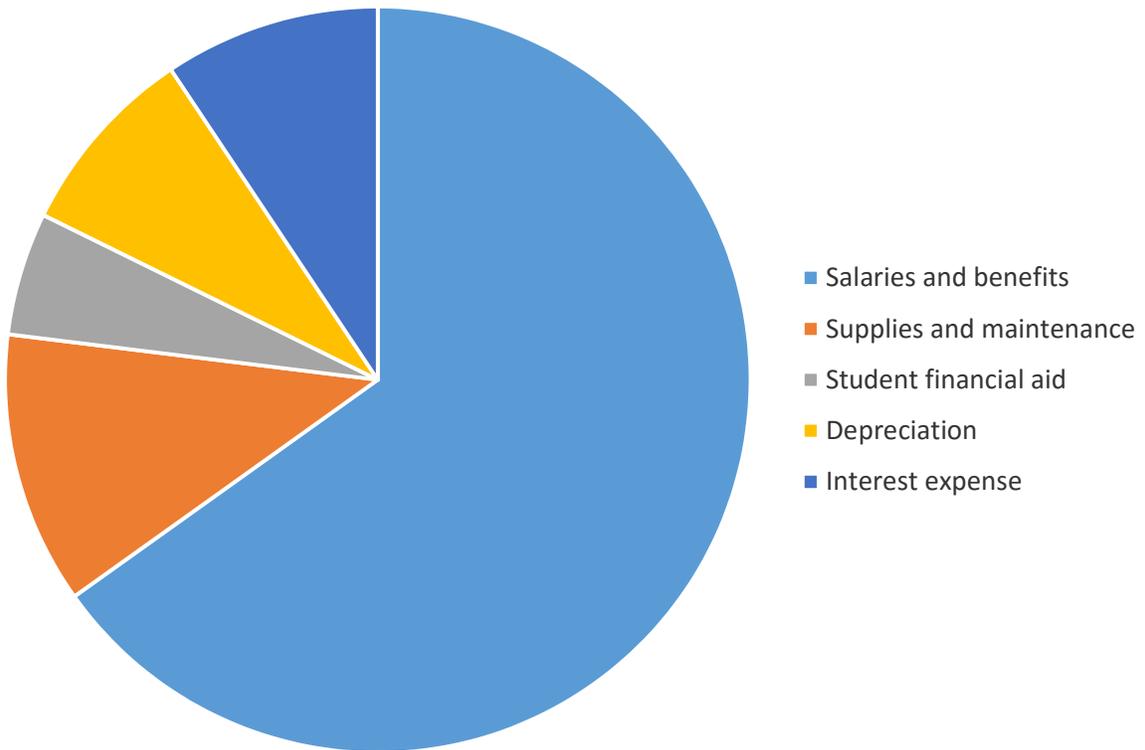
(In Thousands)

	2016	2015	% Change
Operating Revenues			
Tuition and fees	\$ 4,280	\$ 4,325	-1.04%
Grants and contracts	6,598	7,101	-7.08%
Total Operating Revenues	<u>10,878</u>	<u>11,426</u>	<u>-4.80%</u>
Operating Expenses			
Salaries and benefits	53,578	47,316	13.23%
Supplies and maintenance	10,025	8,436	18.84%
Student Financial Aid	4,525	7,049	-35.81%
Depreciation	7,092	5,969	18.81%
Total Operating Expenses	<u>75,220</u>	<u>68,770</u>	<u>9.38%</u>
Loss from Operations	<u>(64,342)</u>	<u>(57,344)</u>	<u>12.20%</u>
Nonoperating Revenues and (Expenses)			
State apportionment	233	189	23.28%
Property taxes	48,604	45,242	7.43%
State taxes and other revenues	4,862	2,563	89.70%
Pell grants and direct loans	3,027	4,226	-28.37%
Investment income	52	64	-18.75%
Interest expense on capital asset related debt	(7,703)	(7,332)	5.06%
Other nonoperating (expenses) revenues	(251)	2,033	-112.35%
Total Nonoperating Revenues	<u>48,824</u>	<u>46,985</u>	<u>3.91%</u>
Capital Revenues			
Property taxes	11,403	11,668	-2.27%
Change in Net Position	<u>\$ (4,115)</u>	<u>\$ 1,309</u>	<u>-414.36%</u>
Net position, July 1, 2015	<u>\$ (1,454)</u>	<u>\$ (2,763)</u>	<u>-47.38%</u>
Net position, June 30, 2016	<u>\$ (5,569)</u>	<u>\$ (1,454)</u>	<u>283.01%</u>

Revenues



Expenses



MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2016

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 16 of this report, the cost of all the District's operational activities this year was \$75.2 million, an increase of approximately 9.4% compared to that of the prior year, primarily due to increased salaries and benefits.
- About 71.2% of all operating expenses were directed to salary and benefit costs, higher than the previous year. The STRS "On-Behalf" expenditures at June 30, 2016 were approximately \$1.2 million.
- Expenses for 2015-16 included depreciation of the District's plant and equipment of approximately \$7.1 million.
- Non-operating revenue and expense increased about \$1.8 million primarily due to an increase in property taxes and one-time mandated costs received from the state, offset by increased expenses.
- The ad valorem taxes collected in the bond redemption fund was \$11.4 million. The ad valorem taxes fluctuate because they are collected based on the need to repay the bond principal and interest.

Statement of Cash Flows

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

For the Years Ended June 30, 2016 and 2015

(In Thousands)

	2016	2015
Cash (used in) provided by:		
Operating activities	\$ (54,734)	\$ (50,888)
Non-capital financing activities	56,502	54,253
Capital and related financing activities	(11,338)	(19,718)
Investing activities	52	65
	<hr/>	<hr/>
Net increase in cash	(9,518)	(16,288)
Cash – beginning of fiscal year	38,285	54,573
	<hr/>	<hr/>
Cash – end of fiscal year	\$ 28,767	\$ 38,285

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2016

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. The decrease is due to the fact that the Measure C bond is winding down.
- 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 2016-17 anticipate a 2.0% increase in property taxes with the California Consumer Price Index at 1.525%, however escalating salaries and pension costs are causing a deficit. The District is benefiting from increased state funding (EPA, Prop 39, categorical programs, etc.) and hopes that the state can continue with the increased funding levels. The District has also joined SISC (Self-Insured Schools of California) in an effort to control its health care costs.
- Pension Reform may help as employees new to the pension systems are required to pay their own share of pension expense, however, CalSTRS (California State Teachers' Retirement System) and CalPERS (California Public Employees' Retirement System) are both projecting annual increases for several years into the future to help with the unfunded liability of those plans. The District has also been required to reflect the unfunded liability of STRS and PERS for its employees in the financial statements beginning with the fiscal year ending June 30, 2015 which had and will continue to have a negative impact.
- The 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 10.6% of General Fund Unrestricted expenditures in the 2016-17 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 policy to maintain reserves at no less than 8.0%.

MARIN COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

ASSETS

Current assets:	
Cash and investments (Note 2)	\$ 17,857,082
Receivables, net (Note 3)	2,095,331
Prepaid expenses	<u>438,785</u>
Total current assets	<u>20,391,198</u>
Noncurrent assets:	
Restricted cash and investments (Note 2)	10,909,692
OPEB asset (Note 11)	3,534,706
Non-depreciable capital assets (Note 4)	3,119,170
Depreciable capital assets, net (Note 4)	<u>241,085,788</u>
Total noncurrent assets	<u>258,649,356</u>
Total assets	<u>279,040,554</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - pensions (Notes 9 and 10)	7,347,649
Deferred outflows of resources - refunding (Note 6)	<u>10,642,521</u>
Total deferred outflows of resources	<u>17,990,170</u>
Total assets and deferred outflows of resources	<u>\$ 297,030,724</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 9,682,224
Unearned revenue (Note 5)	4,312,343
Claims liability (Note 8)	70,954
Compensated absences payable - current portion (Note 6)	289,982
Premium on General Obligation Bonds (Note 6)	754,798
Long-term debt - current portion (Note 6)	<u>3,904,292</u>
Total current liabilities	<u>19,014,593</u>
Noncurrent liabilities:	
Compensated absences payable - noncurrent portion (Note 6)	1,038,537
Premium on general obligation bonds (Note 6)	12,865,083
Long-term debt - noncurrent portion (Note 6)	<u>265,255,003</u>
Total noncurrent liabilities	<u>279,158,623</u>
Total liabilities	<u>298,173,216</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - pensions (Notes 9 and 10)	<u>4,427,000</u>
---	------------------

NET POSITION

Net investment in capital assets	22,241,675
Restricted for:	
Capital projects	1,488,619
Debt service	8,496,350
Scholarships and loans	262,531
Unrestricted	<u>(38,058,667)</u>
Total net position	<u>(5,569,492)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 297,030,724</u>

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Year Ended June 30, 2016

Operating revenues:	
Tuition and fees	\$ 6,108,668
Less: scholarship discounts and allowances	<u>(1,828,314)</u>
Net tuition and fees	<u>4,280,354</u>
Grants and contracts, non-capital:	
Federal	1,211,473
State and local	<u>5,385,895</u>
Total operating revenues	<u>10,877,722</u>
Operating expenses:	
Salaries and benefits (Notes 9, 10 and 11)	53,577,656
Supplies, materials, and other operating expenses and services	9,707,390
Equipment, maintenance and repairs	318,242
Student financial aid	4,524,704
Depreciation (Note 4)	<u>7,091,533</u>
Total operating expenses	<u>75,219,525</u>
Loss from operations	<u>(64,341,803)</u>
Non-operating revenues (expenses):	
State apportionment, non-capital	233,270
Local property taxes (Note 7)	48,603,712
State taxes and other revenues	4,861,528
Pell grants	3,026,485
Investment income	51,955
Interest expense on capital asset-related debt, net	(7,702,890)
Other non-operating expenses	<u>(250,823)</u>
Total non-operating revenues (expenses)	<u>48,823,237</u>
Loss before capital revenues	<u>(15,518,566)</u>
Capital revenues:	
Property taxes (Note 7)	<u>11,402,608</u>
Total capital revenues	<u>11,402,608</u>
Change in net position	<u>(4,115,958)</u>
Net position, July 1, 2015	<u>(1,453,534)</u>
Net position, June 30, 2016	<u>\$ (5,569,492)</u>

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

Cash flows from operating activities:	
Tuition and fees	\$ 4,082,248
Federal grants and contracts	1,388,564
State and local grants and contracts	5,261,070
Payments to employees	(52,205,507)
Payments to students, suppliers and vendors	<u>(13,260,518)</u>
Net cash used in operating activities	<u>(54,734,143)</u>
Cash flows from noncapital financing activities:	
State appropriations	233,270
Local property taxes	48,603,712
State taxes and other revenues	4,889,858
Other non-operating revenues	(250,823)
Pell grants	<u>3,026,485</u>
Net cash provided by noncapital financing activities	<u>56,502,502</u>
Cash flows from capital and related financing activities:	
Local property taxes, capital purposes	11,402,608
Loss on disposal of capital assets	1,493,516
Principal paid on capital debt	(3,952,830)
Purchase of capital assets	(12,471,036)
Interest paid on capital debt, net	<u>(7,810,741)</u>
Net cash used in capital and related financing activities	<u>(11,338,483)</u>
Cash flows provided by investing activities:	
Interest income	<u>51,955</u>
Net decrease in cash and investments	(9,518,169)
Cash and investments, beginning of year	<u>38,284,943</u>
Cash and investments, end of year	<u>\$ 28,766,774</u>

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (64,341,803)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	7,091,533
Changes in assets and liabilities:	
Receivables, net	(71,714)
Prepaid expenses	83,231
Deferred outflows of resources - pension	(2,450,579)
Accounts payable	1,680,742
Unearned revenue	(86,231)
Claims liability	(3,061)
SERP liability	(733,502)
Compensated absences	354,629
Net pension liability	10,557,875
Deferred inflows of resources - pension	(5,568,398)
Other postemployment benefits	<u>(1,246,865)</u>
Net cash used in operating activities	<u>\$ (54,734,143)</u>
Noncash capital and related financing activities:	
Refunding debt - amount deposited with escrow agent	\$ (42,601,665)
Refunding debt - bond issuance cost	(352,533)
Proceeds from issuance of refunding debt	42,954,198
Additions to capital assets - increase in accounts payable	813,233
Amortization of loss on refunding	686,006
Amortization of premiums on capital debt	<u>(1,603,498)</u>
Total noncash capital and related financing activities	<u>\$ (104,259)</u>

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	<u>Trust Fund</u>	<u>Agency Funds</u>		
	Private Purpose Trust Fund	Associated Students of College of Marin	Emeritus Students of College of Marin	Representa- tion Fee Fund
ASSETS				
Cash and investments (Note 2):				
Cash	\$ 1,004,626	\$ 323,438	\$ 265,684	\$ 93,692
Investments	-	-	111,203	-
Receivables	<u>-</u>	<u>43,418</u>	<u>44,632</u>	<u>-</u>
Total assets	<u>\$ 1,004,626</u>	<u>\$ 366,856</u>	<u>\$ 421,519</u>	<u>\$ 93,692</u>
LIABILITIES				
Accounts payable	\$ 6,053	\$ 138,967	\$ 140,586	\$ -
Amount held for others	<u>-</u>	<u>227,889</u>	<u>280,933</u>	<u>93,692</u>
Total liabilities	<u>6,053</u>	<u>\$ 366,856</u>	<u>\$ 421,519</u>	<u>\$ 93,692</u>
NET POSITION				
Restricted - various purposes	<u>998,573</u>			
Total liabilities and restricted net position	<u>\$ 1,004,626</u>			

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2016

	<u>Private Purpose Trust Fund</u>
Additions:	
Contributions	\$ 100,981
Other local sources	<u>5,100</u>
Total additions	<u>106,081</u>
Deductions:	
Supplies and materials	72,533
Contract services	46,029
Other expenditures	<u>2,075</u>
Total deductions	<u>120,637</u>
Change in net position	<u>(14,556)</u>
Net position - held in trust, July 1, 2015	<u>1,013,129</u>
Net position - held in trust, June 30, 2016	<u>\$ 998,573</u>

See accompanying notes to financial statements.

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The District capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing, net of interest earned on investments acquired with the proceeds of the borrowing. At June 30, 2016, the amount of interest expense on capital asset-related debt totaled \$7,702,890, which is net of interest capitalized of \$872,010.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported which is in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the statement of net position. Amortization for the year ended June 30, 2016 totaled \$1,019,006.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the statement of net position. Amortization for the year ended June 30, 2016 totaled \$1,231,137.

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

	<u>CalSTRS</u>	<u>CalPERS</u>	<u>Total</u>
Deferred outflows of resources	<u>\$ 4,156,544</u>	<u>\$ 3,191,105</u>	<u>\$ 7,347,649</u>
Deferred inflows of resources	<u>\$ 2,559,000</u>	<u>\$ 1,868,000</u>	<u>\$ 4,427,000</u>
Net pension liability	<u>\$ 26,052,000</u>	<u>\$ 19,671,000</u>	<u>\$ 45,723,000</u>
Pension expense	<u>\$ 3,930,136</u>	<u>\$ 3,344,113</u>	<u>\$ 7,274,249</u>

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Net Position: The District's net position are classified as follows:

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

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

The District's private purpose trust fund includes resources held in trust from contributions from various organizations or groups. Amounts held are restricted based on agreements with the various organizations or groups.

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

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

Risk Management: As more fully described in Note 8, the District is partially self-insured with regard to dental and vision claims and certain other risks. The amount of the outstanding liability at June 30, 2016 for dental and vision claims includes estimates of future claim payments for known cases as well as provisions for incurred but not reported claims and adverse development on known cases which occurred through that date. Outstanding claims which are expected to become due and payable within the subsequent fiscal year are reflected as a claims liability on the District's Statement of Net Position.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30 2016

NOTE 2 - CASH AND INVESTMENTS

District cash and investments at June 30, 2016, consisted of the following:

	<u>District</u>	<u>Agency Fund</u>	<u>Trust Funds</u>
Pooled Funds:			
Cash in County Treasury	\$ 28,055,442	\$ -	\$ 1,004,626
Deposits:			
Cash on hand and in banks	444,941	323,438	-
Revolving fund	20,000	-	-
Cash held by Fiscal Agent	246,391	359,376	-
Investments	<u>-</u>	<u>111,203</u>	<u>-</u>
Total cash and investments	<u>28,766,774</u>	<u>794,017</u>	<u>1,004,626</u>
Less: restricted cash and investments:	<u>(10,909,692)</u>	<u>-</u>	<u>-</u>
Net cash and investments	<u>\$ 17,857,082</u>	<u>\$ 794,017</u>	<u>\$ 1,004,626</u>

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

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

The District's deposits in the fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The Marin County Treasurer has indicated that there are no derivatives in the pool as of June 30, 2016.

Restricted Cash and Investments: Restricted cash of \$10,909,692 represents amounts held in the District's name with third party custodians for future construction projects and repayment of long-term liabilities.

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

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30 2016

NOTE 2 - CASH AND INVESTMENTS (Continued)

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2016, the carrying amount of the District's accounts was \$1,394,146 and the bank balance was \$1,307,891. At June 30, 2016, \$584,668 of the bank balance was FDIC insured and \$723,223 remained uninsured.

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

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

Interest Rate Risk: The District's investment policies do not limit cash and investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. At June 30, 2016, the District had no significant interest rate risk related to cash and investments held.

Concentration of Credit Risk: The District does not place limits on the amount they may invest in any one issuer. At June 30, 2016, the District and Trust had no concentration of credit risk.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2016 are summarized as follows:

Federal	\$	308,842
State		230,488
Local and other		<u>2,250,909</u>
		2,790,239
Less allowance for doubtful accounts		<u>(694,908)</u>
	\$	<u><u>2,095,331</u></u>

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30 2016

NOTE 4 - CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2016</u>
Non-depreciable:				
Land	\$ 3,119,170	\$ -	\$ -	\$ 3,119,170
Construction in progress	38,830,705	-	(38,830,705)	-
Depreciable:				
Land improvements	26,541,424	2,365,706	-	28,907,130
Building improvements	206,020,682	46,530,296	(5,200,417)	247,350,561
Machinery and equipment	<u>20,647,504</u>	<u>1,208,695</u>	<u>-</u>	<u>21,856,199</u>
Total	<u>295,159,485</u>	<u>50,104,697</u>	<u>(44,031,122)</u>	<u>301,233,060</u>
Less accumulated depreciation:				
Land improvements	7,522,833	1,111,398	-	8,634,231
Building improvements	35,376,897	4,724,599	(3,706,901)	36,394,595
Machinery and equipment	<u>10,743,740</u>	<u>1,255,536</u>	<u>-</u>	<u>11,999,276</u>
Total	<u>53,643,470</u>	<u>7,091,533</u>	<u>(3,706,901)</u>	<u>57,028,102</u>
Capital assets, net	<u>\$241,516,015</u>	<u>\$ 43,013,164</u>	<u>\$ (40,324,221)</u>	<u>\$244,204,958</u>

At June 30, 2016, the District had capital assets acquired from capital leases with an original cost of \$288,103 and accumulated depreciation totaling \$72,026.

NOTE 5 - UNEARNED REVENUE

Unearned revenue for the District consisted of the following:

Unearned Federal and State revenue	\$ 1,548,474
Unearned tuition and student fees	737,713
Unearned local revenue	<u>2,026,156</u>
Total unearned revenue	<u>\$ 4,312,343</u>

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30 2016

NOTE 6 - LONG-TERM LIABILITIES

In March 2009, the District issued Series B, 2004 General Obligation Bonds aggregating \$75,000,000. The bonds mature through August 2020 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, 2016, the District has unamortized premiums of \$117,365.

The annual payments required to amortize the Series B, 2004 General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,090,000	\$ 185,900	\$ 1,275,900
2018	1,185,000	151,775	1,336,775
2019	1,285,000	101,875	1,386,875
2020	<u>1,395,000</u>	<u>34,875</u>	<u>1,429,875</u>
	<u>\$ 4,955,000</u>	<u>\$ 474,425</u>	<u>\$ 5,429,425</u>

In May 2011, the District issued Series C, 2004 General Obligation Bonds aggregating \$52,505,000. The bonds mature through August 2034 and bear interest at rates ranging from 3% to 5%. The proceeds from the issuance will be used to finance the acquisition, construction and modernization of certain District property and facilities. Resulting from the bond issuance, the District received a premium of \$767,032 and paid issuance costs of \$285,719. The premium is amortized over the life of the bond repayment. At June 30, 2016, the District has unamortized premiums of \$655,007.

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 35,000	\$ 2,379,463	\$ 2,414,463
2018	40,000	2,377,963	2,417,963
2019	35,000	2,376,463	2,411,463
2020	285,000	2,370,063	2,655,063
2021	410,000	2,356,163	2,766,163
2022-2026	4,130,000	11,336,063	15,466,063
2027-2031	8,000,000	10,046,131	18,046,131
2032-2035	<u>38,260,000</u>	<u>3,841,800</u>	<u>42,101,800</u>
	<u>\$ 51,195,000</u>	<u>\$ 37,084,109</u>	<u>\$ 88,279,109</u>

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

In November 2012, the District issued Series D, 2004 General Obligation Bonds aggregating \$46,995,000. The bonds mature through August 2036 and bear interest at rates ranging from 3% to 3.25%. The proceeds from the issuance will be used to finance the acquisition, construction and modernization of certain District property and facilities and pay the costs of issuing Series D Bonds. Resulting from the bond issuance, the District received a premium of \$401,662 and paid issuance costs of \$120,809. The premium is amortized over the life of the bond repayment. At June 30, 2016, the District has unamortized premiums of \$359,830.

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 1,487,500	\$ 1,487,500
2018	-	1,487,500	1,487,500
2019	-	1,487,500	1,487,500
2020	-	1,487,500	1,487,500
2021	-	1,487,500	1,487,500
2022-2026	-	7,437,500	7,437,500
2027-2031	7,545,000	7,324,325	14,869,325
2032-2036	23,355,000	5,347,669	28,702,669
2037	<u>16,095,000</u>	<u>261,544</u>	<u>16,356,544</u>
	<u>\$ 46,995,000</u>	<u>\$ 27,808,538</u>	<u>\$ 74,803,538</u>

In November 2012, the District issued 2012 General Obligation Refunding Bonds aggregating \$44,380,000. The bonds mature through August 2028 and bear interest at rates ranging from 2.5% to 4%. The proceeds from the issuance will be used to advance refund a portion of the District's outstanding Election 2004 General Obligation Bonds, Series A and pay the cost of issuing the Refunding Bonds. Resulting from the bond issuance, the District received a premium of \$7,445,473 and paid issuance costs of \$425,765. The premium is amortized over the life of the bond repayment. At June 30, 2016, the District has unamortized premiums of \$6,214,227.

The annual payments required to amortize the 2012 General Obligation Refunding Bonds as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,435,000	\$ 1,648,725	\$ 3,083,725
2018	1,630,000	1,594,600	3,224,600
2019	1,945,000	1,523,100	3,468,100
2020	2,275,000	1,438,700	3,713,700
2021	2,625,000	1,340,700	3,965,700
2022-2026	18,200,000	4,753,800	22,953,800
2027-2029	<u>15,395,000</u>	<u>818,700</u>	<u>16,213,700</u>
	<u>\$ 43,505,000</u>	<u>\$ 13,118,325</u>	<u>\$ 56,623,325</u>

During the year ended June 30, 2015, the District issued \$32,055,000 of 2015 General Obligation Refunding Bonds. The current interest bonds bear interest at rates of 2.00% to 5.00%, maturing August 1, 2030. Proceeds were used to advance refund a portion of the outstanding 2004 Series A and B General Obligation Bonds and to pay the costs of issuing the 2015 Refunding Bonds. At June 30, 2016, the District has unamortized premiums of \$4,192,095.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2015 General Obligation Refunding Bonds outstanding as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 1,392,650	\$ 1,392,650
2018	-	1,392,650	1,392,650
2019	-	1,392,650	1,392,650
2020	-	1,392,650	1,392,650
2021	1,510,000	1,362,450	2,872,450
2022-2026	9,520,000	5,619,675	15,139,675
2027-2031	<u>20,425,000</u>	<u>2,598,350</u>	<u>23,023,350</u>
	<u>\$ 31,455,000</u>	<u>\$ 15,151,075</u>	<u>\$ 46,606,075</u>

Defeasance of Debt: The District defeased certain General Obligation Bonds by placing proceeds of the new General Obligation Refunding Bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's financial statements. On June 30, 2016, \$25,445,000 of bonds outstanding are considered defeased.

During the year ended June 30, 2016, the District issued \$40,845,000 of 2016 General Obligation Refunding Bonds. The current interest bonds bear interest at rates of 2.00% to 5.00%, maturing August 1, 2038. Proceeds were used to advance refund a portion of the outstanding 2004 Series B General Obligation Bonds and to pay the costs of issuing the 2016 Refunding Bonds. At June 30, 2016, the District has unamortized premiums of \$2,081,357.

Calculation of Difference in Cash Flow Requirements and Economic Gain

<u>Cash Flow Difference</u>	
Old debt service cash flows	\$ 73,070,244
New debt service cash flows	<u>67,202,634</u>
	<u>\$ 5,867,610</u>

Economic Gain: The economic gain or difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate is \$4,292,779.

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

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 380,000	\$ 1,249,397	\$ 1,629,397
2018	150,000	1,423,125	1,573,125
2019	140,000	1,419,525	1,559,525
2020	150,000	1,415,175	1,565,175
2021	155,000	1,410,600	1,565,600
2022-2026	850,000	6,975,575	7,825,575
2027-2031	1,025,000	6,782,250	7,807,250
2032-2036	21,800,000	4,810,400	26,610,400
2037-2039	<u>16,195,000</u>	<u>871,588</u>	<u>17,066,588</u>
	<u>\$ 40,845,000</u>	<u>\$ 26,357,635</u>	<u>\$ 67,202,635</u>

Defeasance of Debt: The District defeased certain General Obligation Bonds by placing proceeds of the new General Obligation Refunding Bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's financial statements. On June 30, 2016, \$37,500,000 of bonds outstanding are considered defeased.

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, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 95,000	\$ 22,951	\$ 117,951
2018	100,000	19,294	119,294
2019	110,000	15,924	125,924
2020	125,000	10,894	135,894
2021	135,000	5,738	140,738
2022-2026	860,166	1,583,791	2,443,957
2027-2031	789,329	2,086,241	2,875,570
2032-2033	<u>301,339</u>	<u>1,005,822</u>	<u>1,307,161</u>
	<u>\$ 2,515,834</u>	<u>\$ 4,750,655</u>	<u>\$ 7,266,489</u>

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30 2016

NOTE 6 - LONG-TERM LIABILITIES (Continued)

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

The annual payments required to amortize the PG&E loan outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 77,924	\$ -	\$ 77,924
2018	77,924	-	77,924
2019	77,924	-	77,924
2020	77,924	-	77,924
2021	77,924	-	77,924
2022	<u>56,928</u>	<u>-</u>	<u>56,928</u>
	<u>\$ 446,548</u>	<u>\$ -</u>	<u>\$ 446,548</u>

Supplemental Employee Retirement Plan: During the fiscal year ended June 30, 2016 and 2015, the District provided the option of a Supplemental Employee Retirement Plan to the District employees. Employees under the SERP will receive monthly annuity benefits. The District is obligated to pay annual installments for the calculated benefits for employees under the SERP and for the administration of the plan.

The annual requirements to amortize the SERP liability outstanding as of June 30, 2016 are as follows:

Year Ending <u>June 30,</u>	
2017	\$ 733,502
2018	359,093
2019	<u>266,431</u>
	<u>\$ 1,359,026</u>

Changes in Long-Term Debt: A schedule of changes in long-term debt for the year ended June 30, 2016 is as follows:

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2016</u>	Amounts Due Within <u>Year</u>
General Obligation Bonds	\$ 218,635,000	\$ 40,845,000	\$ 40,530,000	\$ 218,950,000	\$ 2,940,000
Lease Revenue Bonds	2,600,834	-	85,000	2,515,834	95,000
Bond Premium	13,114,181	2,109,198	1,603,498	13,619,881	754,798
Net pension liability (Notes 9 & 10)	35,165,125	10,557,875	-	45,723,000	-
Compensated Absences	973,890	354,629	-	1,328,519	289,982
SERP Liability	2,092,528	-	733,502	1,359,026	733,502
Note payable - PG&E	512,734	-	66,186	446,548	77,916
Capital leases obligations	<u>221,366</u>	<u>-</u>	<u>56,479</u>	<u>164,887</u>	<u>57,874</u>
	<u>\$ 273,315,658</u>	<u>\$ 53,866,702</u>	<u>\$ 43,074,665</u>	<u>\$ 284,107,695</u>	<u>\$ 4,949,072</u>

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30 2016

NOTE 7 - PROPERTY TAXES

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

NOTE 8 - RISK MANAGEMENT

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

The dental and vision claims reserve activity for the years ended June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Liability balance, beginning of year	\$ 74,015	\$ 104,518
Claims and changes in estimates	572,516	586,489
Claims payments	<u>(575,577)</u>	<u>(616,992)</u>
Liability balance, end of year	<u>\$ 70,954</u>	<u>\$ 74,015</u>

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

General Information about the State Teachers' Retirement Plan

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

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

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

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

(Continued)

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

CalSTRS 2% at 60

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

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

CalSTRS 2% at 62

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

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

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

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

Members – Under CalSTRS 2% at 60, the member contribution rate was 9.20 percent of applicable member earnings for fiscal year 2015-16. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.56 percent of applicable member earnings for fiscal year 2015-16.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30 2016

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

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

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

Employers – 10.73 percent of applicable member earnings.

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

The CalSTRS employer contribution rate increases effective for fiscal year 2015-16 through fiscal year 2045-46 are summarized in the table below:

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

The District contributed \$2,211,544 to the plan for the fiscal year ended June 30, 2016.

State – 7.391 percent of the members’ creditable earnings from the fiscal year ending in the prior calendar year.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30 2016

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

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

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

The CalSTRS state contribution rates effective for fiscal year 2015-16 and beyond are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.517%*

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

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30 2016

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

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 26,052,000
State's proportionate share of the net pension liability associated with the District	<u>13,779,000</u>
Total	<u><u>\$ 39,831,000</u></u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2015, the District's proportion was 0.039 percent, which was an increase of 0.003 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$3,014,136 and revenue of \$1,419,216 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 435,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	2,124,000
Changes in proportion and differences between District contributions and proportionate share of contributions	1,945,000	-
Contributions made subsequent to measurement date	<u>2,211,544</u>	<u>-</u>
Total	<u><u>\$ 4,156,544</u></u>	<u><u>\$ 2,559,000</u></u>

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30 2016

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

\$2,211,544 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	\$ (626,900)
2018	\$ (626,900)
2019	\$ (626,900)
2020	\$ 765,367
2021	\$ 252,167
2022	\$ 249,166

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

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

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30 2016

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

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

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

* 10-year geometric average

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

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

	1% Decrease <u>(6.60%)</u>	Current Discount Rate <u>(7.60%)</u>	1% Increase <u>(8.60%)</u>
District's proportionate share of the net pension liability	<u>\$ 39,336,000</u>	<u>\$ 26,052,000</u>	<u>\$ 15,011,000</u>

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

(Continued)

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

General Information about the Public Employer’s Retirement Fund B

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

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2015.pdf>.

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

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

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

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2016 were as follows:

Members – The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2015-16.

Employers – The employer contribution rate was 11.847 percent of applicable member earnings.

The District contributed \$1,711,105 to the plan for the fiscal year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$19,671,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as June 30, 2014. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2015, the District’s proportion was 0.135 percent, which was an increase of 0.002 percent from its proportion measured as of June 30, 2014.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30 2016

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

For the year ended June 30, 2016, the District recognized pension expense of \$3,344,113. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 998,000	\$ -
Changes of assumptions	-	1,203,000
Net differences between projected and actual earnings on investments	-	665,000
Changes in proportion and differences between District contributions and proportionate share of contributions	482,000	-
Contributions made subsequent to measurement date	<u>1,711,105</u>	<u>-</u>
Total	<u>\$ 3,191,105</u>	<u>\$ 1,868,000</u>

\$1,711,105 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	\$ (114,083)
2018	\$ (114,083)
2019	\$ (114,083)
2020	\$ (45,750)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions

The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30 2016

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

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

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

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

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	51%	5.25%
Global Fixed Income	19	0.99
Inflation Sensitive	6	0.45
Private Equity	10	6.83
Real Estate	10	4.50
Infrastructure & Forestland	2	4.50
Liquidity	2	(0.55)

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

The discount rate was 7.50 and 7.65 percent in the June 30, 2013 and June 30, 2014 actuarial reports, respectively.

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

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30 2016

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

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

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	<u>\$ 35,170,000</u>	<u>\$ 19,671,000</u>	<u>\$ 9,455,000</u>

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

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9 and 10, the District provides post-retirement health care benefits to employees hired prior to 1988 and who retire from the District and meet the specific eligibility requirements set forth in their prospective employment contracts under a single employer defined benefit OPEB plan. The plan does not issue separate financial statements. The District pays medical and dental insurance premiums to maintain the level of coverage enjoyed by the retiree immediately preceding retirement up until the age of 70 or death of the retiree.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30 2016

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Annual required contribution	\$	261,064
Interest on net OPEB obligation		-
Adjustment to annual required contribution		<u>-</u>
Annual OPEB cost (expense)		261,064
Contributions made		<u>(1,507,929)</u>
Change in net OPEB obligation		(1,246,865)
Net OPEB obligation (asset) - beginning of year		<u>(2,287,841)</u>
Net OPEB obligation (asset) - end of year	\$	<u><u>(3,534,706)</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 and the preceding two years were as follows:

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of Annual <u>OPEB Cost</u> <u>Contributed</u>	Net OPEB Obligation <u>(Asset)</u>
June 30, 2014	\$ 853,349	98.1%	\$ (1,829,699)
June 30, 2015	\$ 511,582	189.6%	\$ (2,287,841)
June 30, 2016	\$ 261,064	577.6%	\$ (3,534,706)

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

(Continued)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

During the fiscal year ended June 30, 2016 the District elected to remove \$2,742,977 of fiduciary activity related to the CERBT from the financial statements as this activity is already included in the CalPERS financial statements noted above.

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

For the year ended June 30, 2016, the District's contribution to the CERBT investment trust fund totaled \$850,000. At June 30, 2016, the balance of the CERBT investment fund was \$3,693,622. Benefits are provided by the District on a pay-as-you-go basis.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits starting in 2013 when the trust was formed.

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

In the April 21, 2015, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.75 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates include a 2.75 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was 9 years.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30 2016

NOTE 12 - COMMITMENTS AND CONTINGENCIES

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

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

Construction Commitments: As of June 30, 2016, the District has \$708,259 in outstanding commitments on construction contracts.

NOTE 13 - JOINT POWERS AGREEMENTS

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

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

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

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

	<u>NCCCSIA</u> <u>June 30, 2015</u>	<u>SAFER</u> <u>June 30, 2015</u>	<u>PIPS</u> <u>June 30, 2015</u>	<u>SWACC</u> <u>June 30, 2015</u>
Total assets and and deferred outflows	\$ 3,059,426	\$ 9,564,714	\$ 109,911,317	\$ 53,936,821
Total liabilities and and deferred inflows	\$ 1,019,324	\$ 8,036,799	\$ 99,473,185	\$ 23,420,128
Net position	\$ 2,040,102	\$ 1,527,915	\$ 10,438,132	\$ 30,516,693
Total revenues	\$ 7,770,155	\$ 50,762,271	\$ 236,947,407	\$ 18,584,083
Total expenses	\$ 7,732,139	\$ 49,759,564	\$ 238,580,162	\$ 18,576,432
Change in net position	\$ 38,016	\$ 1,002,707	\$ (1,632,755)	\$ 7,651

REQUIRED SUPPLEMENTARY INFORMATION

MARIN COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 For the Year Ended June 30, 2016

Actuarial Valuation <u>Date</u>	<u>Schedule of Funding Progress</u>					
	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability <u>(AAL)</u>	Unfunded Actuarial Accrued Liability <u>(UAAL)</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a Percentage of Covered <u>Payroll</u>
September 1, 2008	\$ -	\$ 7,312,141	\$ 7,312,141	0%	\$ 5,974,919	122%
September 1, 2010	\$ -	\$ 6,604,857	\$ 6,604,857	0%	\$ 4,058,179	163%
April 29, 2013	\$ -	\$ 5,188,334	\$ 5,188,334	0%	\$ 1,938,814	268%
April 21, 2015	\$ 2,753,999	\$ 3,631,365	\$ 877,366	76%	\$ 1,863,366	47%

See accompanying notes to required supplementary information.

MARIN COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2016

State Teacher's Retirement Plan
 Last 10 Fiscal Years

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

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

All years prior to 2015 are not available.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2016

Public Employers Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.133%	0.135%
District's proportionate share of the net pension liability	\$ 15,387,250	\$ 19,671,000
District's covered-employee payroll	\$ 15,342,000	\$ 14,898,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	100.29%	132.04%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%

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

All years prior to 2015 are not available.

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2016

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 1,594,920	\$ 2,211,544
Contributions in relation to the contractually required contribution	<u>1,594,920</u>	<u>2,211,544</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 17,961,000	\$ 20,611,000
Contributions as a percentage of covered-employee payroll	8.88%	10.73%

All years prior to 2015 are not available.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2016

Public Employers Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 1,753,636	\$ 1,711,105
Contributions in relation to the contractually required contribution	<u>1,753,636</u>	<u>1,711,105</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 14,898,000	\$ 14,443,000
Contributions as a percentage of covered-employee payroll	11.77%	11.85%

All years prior to 2015 are not available.

MARIN COMMUNITY COLLEGE DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 - PURPOSE OF SCHEDULE

A - Schedule of Other Postemployment Benefits Funding Progress

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

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

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

C - Schedule of the District's Contributions

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

D - Changes of Benefit Terms

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

E - Changes of Assumptions

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

SUPPLEMENTARY INFORMATION

MARIN COMMUNITY COLLEGE DISTRICT
ORGANIZATION
June 30, 2016

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, 2016 were composed of the following members:

BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Stephanie O'Brien	President	2019
Diana Conti	Vice President	2017
Eva Long, Ph.D	Clerk	2019
Brady Bevis	Trustee	2017
Philip Kranenburg	Trustee	2019
Stuart Tanenberg	Trustee	2019
Wanden Treanor	Trustee	2017
Darlene Baten	Student Trustee	2017

DISTRICT ADMINISTRATION

David Wain Coon Ed.D.
Superintendent/President

Gregory W. Nelson
Vice President, Finance and College Operations

Jonathan Eldridge
Senior Vice President of Learning and Student Success

MARIN COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2016

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>		
Direct Programs:		
Student Financial Aid Cluster:		
Federal Supplementary Educational Opportunity Program (FSEOG)	84.007	\$ 227,500
Federal College Work Study (FWS)	84.033	173,047
Federal Direct Loan Program	84.268	571,714
PELL Admin Allowance	84.268	12,524
Federal Pell Grant (PELL)	84.063	<u>3,013,961</u>
Subtotal Financial Aid Cluster		<u>3,998,746</u>
Passed through California Community College Chancellor's Office:		
Vocation and Applied Technology Education - Act Program:		
Vocational and Applied Technology Educational Act - Title IC	84.048	130,988
Vocational and Applied Technology Educational Act - Title II - Tech Prep	84.048	<u>45,119</u>
Subtotal Vocational and Applied Technology Education Act Program		<u>176,107</u>
Passed through California Department of Education:		
Early Childhood Mentor Program	84.405A	<u>2,225</u>
Total U.S. Department of Education		<u>4,177,078</u>
<u>U.S. Department of Health and Human Services</u>		
Passed through California Community College Chancellor's Office:		
Temporary Assistance to Needy Families (TANF)	93.558	15,465
Passed through California Department of Education:		
Child Development Training Consortium	95.575	3,013
Foster Care Education	93.658	<u>29,137</u>
Total U.S. Department of Health and Human Services		<u>47,615</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>		
Child Care Food Program	10.558	<u>13,265</u>
Total Federal Programs		<u>\$ 4,237,958</u>

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS
For the Year Ended June 30, 2016

	Program Revenues			Total	Total Program Expenditures
	Cash Received	Accounts Receivable/ (Payable)	Unearned Income		
AB86 Adult Education	\$ -	\$ 31,095	\$ -	\$ 31,095	\$ 31,095
Administrative 2% Enrollment Fee Waivers	57,701	-	-	57,701	57,701
Basic Skills	142,956	-	52,020	90,936	90,936
BFAP Administrative	246,818	-	-	246,818	246,818
Cal Grants	270,039	(1,893)	-	268,146	268,146
CalWORKs	133,753	-	-	133,753	133,753
CARE	62,560	-	143	62,417	62,417
DSPS	791,057	-	-	791,057	791,057
EOPS	597,261	-	-	597,261	597,262
Faculty/Staff Development	11,325	-	11,325	-	-
Faculty/Staff Diversity	4,106	-	-	4,106	4,106
Foster Care Education	21,294	19,292	-	40,586	40,586
Full Time Student Success Grant	82,618	-	14,818	67,800	67,800
Hazardous Substance	4,880	-	4,880	-	-
Instructional Equipment & Library Materials	6,516	-	-	6,516	6,516
Lottery - Proposition 20	574,455	-	514,879	59,576	59,576
Nursing Enrollment Growth	119,220	10,367	-	129,587	129,587
OTF - Sched. Maintenance	24,884	-	24,884	-	-
Peace Officers Training	1,438	1,369	-	2,807	2,807
Physical Plant & Inst'l Support	979,922	-	64,688	915,234	915,234
Student Equity	591,536	-	274,746	316,790	316,790
Student Success - Credit	1,146,093	-	248,053	898,040	898,040
Student Success - Noncredit	118,191	-	40,974	77,217	77,217
Scheduled Maintenance and Repair	125,987	-	125,987	-	-
TANF	15,465	-	-	15,465	15,465
Transfers & Articulation	40	-	-	40	40

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR
STATE GENERAL APPORTIONMENT
Annual Attendance as of June 30, 2016

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2015 only)			
1. Noncredit	-	-	-
2. Credit	-	-	-
B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)			
1. Noncredit	16	-	16
2. Credit	186	-	186
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	2,926	-	2,926
b. Daily Census Contact Hours	135	-	135
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	225	-	225
b. Credit	124	-	124
3. Alternative Attendance Accounting Procedure			
a. Weekly Census Procedure Courses	187	-	187
b. Daily Census Procedure Courses	-	-	-
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
	<hr/>	<hr/>	<hr/>
D. Total FTES	<u>3,799</u>	<u>-</u>	<u>3,799</u>
Supplementary Information:			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	84	-	84
b. Credit	301	-	301
<u>CCFS 320 Addendum</u>			
CDCP	-	-	-
Centers FTES			
a. Noncredit	17	-	17
b. Credit	530	-	530

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, 2016

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

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2016

General Fund	\$ 7,105,482	
Bond Interest and Redemption Fund	891,443	
Revenue Bond Interest and Redemption Fund	7,604,907	
Capital Outlay Fund	2,301,852	
Revenue Bond Construction Fund	2,278,113	
Self Insurance Fund	213,486	
Scholarship and Loan Trust Fund	<u>262,531</u>	
 Total Audited Fund Balances as reported on the Annual Financial and Budget Report (CCFS-311)		 \$ 20,657,814
 Amounts reported for governmental activities in the statement of net position are different because:		
 Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. However, capital assets, net of accumulated depreciation are added to total net assets.		
		244,204,958
 Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt.		
		10,642,521
 In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:		
Deferred outflows of resources relating to pensions	\$ 7,347,649	
Deferred inflows of resources relating to pensions	<u>(4,427,000)</u>	
		2,920,649
 Unmatured interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.		
		(3,422,445)
 Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2016 consisted of:		
General Obligation Bonds	\$ (218,950,000)	
Lease revenue bonds	(2,515,834)	
Bond premiums	(13,619,881)	
Net pension liability	(45,723,000)	
Compensated absences	(1,328,519)	
SERP liability	(1,359,026)	
Note payable - PG&E	(446,548)	
Capital leases obligation	<u>(164,887)</u>	
		(284,107,695)
 In governmental funds, other post employment benefits (OPEB) assets and liabilities are not reported because they are applicable to future periods. In the Statement of Net Position, OPEB asset (liabilities) are reported.		
		<u>3,534,706</u>
Total net position - business-type activities		<u>\$ (5,569,492)</u>

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
For the Year Ended June 30, 2016

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional salaries:							
Contract or regular	1100	\$ 9,533,170	\$ -	\$ 9,533,170	\$ 9,533,170	\$ -	\$ 9,533,170
Other	1300	<u>7,900,817</u>	<u>-</u>	<u>7,900,817</u>	<u>7,900,817</u>	<u>-</u>	<u>7,900,817</u>
Total instructional salaries		<u>17,433,987</u>	<u>-</u>	<u>17,433,987</u>	<u>17,433,987</u>	<u>-</u>	<u>17,433,987</u>
Non-instructional salaries:							
Contract or regular	1200	-	-	-	3,191,056	-	3,191,056
Other	1400	<u>-</u>	<u>-</u>	<u>-</u>	<u>948,487</u>	<u>-</u>	<u>948,487</u>
Total non-instructional salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>4,139,543</u>	<u>-</u>	<u>4,139,543</u>
Total academic salaries		<u>17,433,987</u>	<u>-</u>	<u>17,433,987</u>	<u>21,573,530</u>	<u>-</u>	<u>21,573,530</u>
<u>Classified Salaries</u>							
Non-instructional salaries:							
Regular status	2100	-	-	-	8,721,682	-	8,721,682
Other	2300	<u>-</u>	<u>-</u>	<u>-</u>	<u>372,025</u>	<u>-</u>	<u>372,025</u>
Total non-instructional salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>9,093,707</u>	<u>-</u>	<u>9,093,707</u>
Instructional aides:							
Regular status	2200	934,076	-	934,076	934,076	-	934,076
Other	2400	<u>211,032</u>	<u>-</u>	<u>211,032</u>	<u>211,032</u>	<u>-</u>	<u>211,032</u>
Total instructional aides		<u>1,145,108</u>	<u>-</u>	<u>1,145,108</u>	<u>1,145,108</u>	<u>-</u>	<u>1,145,108</u>
Total classified salaries		<u>1,145,108</u>	<u>-</u>	<u>1,145,108</u>	<u>10,238,815</u>	<u>-</u>	<u>10,238,815</u>
Employee benefits	3000	6,737,387	-	6,737,387	13,298,059	-	13,298,059
Supplies and materials	4000	-	-	-	446,602	-	446,602
Other operating expenses	5000	-	-	-	5,084,066	-	5,084,066
Equipment replacement	6420	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures prior to exclusions		<u>\$ 25,316,482</u>	<u>\$ -</u>	<u>\$ 25,316,482</u>	<u>\$ 50,641,072</u>	<u>\$ -</u>	<u>\$ 50,641,072</u>

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
For the Year Ended June 30, 2016

Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799			
	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data	
<u>Exclusions</u>							
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	\$ 614,635	\$ -	\$ 614,635	\$ 614,635	\$ -	\$ 614,635
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	-	-	-
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	768,616	-	768,616
Objects to exclude:							
Rents and leases	5060	-	-	-	270,123	-	270,123
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
Supplies and materials:							
Software	4100	-	-	-	-	-	-
Books, magazines and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	-	-	-
Noninstructional supplies and materials	4400	-	-	-	-	-	-
Total supplies and materials		-	-	-	-	-	-
Other operating expenses and services	5000	-	-	-	539,623	-	539,623
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	72,524	-	72,524
Equipment:							
Equipment - additional	6400	-	-	-	330,853	-	330,853
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	330,853	-	330,853
Total capital outlay		-	-	-	403,377	-	403,377
Other outgo	7000	-	-	-	-	-	-
Total exclusions		\$ 614,635	\$ -	\$ 614,635	\$ 2,596,374	\$ -	\$ 2,596,374
Total for ECS 84362, 50% Law		\$ 24,701,847	\$ -	\$ 24,701,847	\$ 48,044,698	\$ -	\$ 48,044,698
Percent of CEE (instructional salary cost /Total CEE)		51.41%	-	51.41%	100.00%	-	100.00%
50% of current expense of education					\$ 24,022,349	\$ -	\$ 24,022,349

See accompanying notes to supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT
 PROP 30 EPA EXPENDITURE REPORT
 For the Year Ended June 30, 2016

EPA Proceeds:	\$	364,880				
<u>Activity Classification</u>		<u>Activity Code (0100-5900)</u>	<u>Salaries and Benefits (1000-3000)</u>	<u>Operating Expenses (4000-5000)</u>	<u>Capital Outlay (6000)</u>	<u>Total</u>
Instructional Activities		-	\$ 364,880	\$ -	\$ -	\$ 364,880

See accompanying notes to supplemental information.

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Marin Community College District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Education Institutions or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

B - Schedule of State Financial Awards

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

C - Schedule of Workload Measures for State General Apportionment

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

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

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

E - Reconciliation of Governmental funds to the Statement of Net Position

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

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

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

G - Prop 30 EPA Expenditure Report

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

INDEPENDENT AUDITOR'S REPORT
ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
Marin Community College District
Kentfield, California

Report on Compliance with State Laws and Regulations

We have audited the compliance of Marin Community College District with the types of compliance requirements described in Section 400 of the *California State Chancellor's Office's California Community College Contracted District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2016:

- 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
- Student Success and Support Program (SSSP)
- Scheduled Maintenance Program
- Gann Limit Calculation
- Open Enrollment
- Student Fees-Health Fees and Use of Health Fee Funds
- Proposition 39 Clean Energy
- Interession Extension Program
- 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 Marin Community College District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *California State Chancellor's Office's California Community College Contracted District Audit Manual* (Audit Manual). Those standards and the Audit Manual require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Marin Community College District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Marin Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

(Continued)

Basis for Qualified Opinion with State Laws and Regulations

As described in Finding 2016-001 in the accompanying Schedule of Audit Findings and Questioned Costs, Marin Community College District did not comply with the requirements regarding Concurrent Enrollment. Compliance with such requirements is necessary, in our opinion, for Marin Community College District to comply with state laws and regulations applicable to Concurrent Enrollment.

Qualified Opinion with State Laws and Regulations

In our opinion, except for the noncompliance, described in the Basis for Qualified Opinion paragraph, Marin Community College District complied, in all material respects, with the compliance requirements associated with the state laws and regulations listed above for the year ended June 30, 2016. 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 response to the noncompliance finding 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 it.

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
November 29, 2016

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

Board of Trustees
Marin Community College District
Kentfield, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of Marin Community College District as of and for the year ended June 30, 2016, 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 November 29, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

(Continued)

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 29, 2016

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

Board of Trustees
Marin Community College District
Kentfield, California

Report on Compliance for Each Major Federal Program

We have audited Marin Community College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Marin Community College District's major federal programs for the year ended June 30, 2016. Marin Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Marin Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marin Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Marin Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

(Continued)

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 29, 2016

FINDINGS AND RECOMMENDATIONS

MARIN COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered
to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements
noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered
to be material weakness(es)? _____ Yes X None reported

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

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

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

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

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

STATE AWARDS

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

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2016-001 DEFICIENCY – STATE COMPLIANCE - CONCURRENT ENROLLMENT

Criteria

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

Condition

The District was unable to provide K-12 principal certifications for concurrently enrolled students for summer sessions. Total FTES for concurrently enrolled students in the Summer was 33.64.

Effect

The District is not in compliance with State requirements.

Cause

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

Fiscal Impact

Not determinable.

Recommendation

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

Corrective Action Plan

College of Marin will begin, with the Summer 2017 semester, collecting from each public feeder high school, an official certification for each grade level of the number of students in each year, (9th, 10th, 11th, and 12th).

A letter will be sent by the Dean of Enrollment Services, in March 2017 explaining the requirement, and will include a certification form requesting that they certify the number of students in each grade level and the calculation for 5% of each class. For example: if the 9th grade class at Redwood High School certifies for 435 students—they will indicate and acknowledge that they may authorized no more than 21-22 students from that grade level.

There will be a reminder letter sent out to all schools who fail to respond to the certification letter. COM will check for final responses two weeks after summer session has begun, and additional communication including phone calls will be made to ensure we have the certification document on file in the office of Dean of Enrollment Services.

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

By Summer 2017, COM will be able to work in partnership with the feeder high schools to ensure that we are monitoring the number of students to stay within the 5% limit as per ED Code §48800.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

MARIN COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2016

<u>Findings</u>	<u>Recommendations</u>	<u>Current Status</u>	<u>District Explanation If Not Fully Implemented</u>
2015-001 <u>Condition:</u> We identified an error in one (1) course out of our sample for To Be Arranged Hour courses that did not maintain the proper supporting documentation (syllabus and attendance records). The error was for one (1) FTE out of a sample of 18.5 FTEs. When extrapolated, this error results in 13.06 To Be Arranged Hour FTEs that did not maintain the proper supporting documentation.	The District should maintain all support regarding To Be Arranged Hours.	Implemented.	
2015-002 <u>Condition:</u> The District was unable to provide K-12 principal certifications for concurrently enrolled students for summer sessions. Total FTES for concurrently enrolled students in the Summer was 19.83.	The District should maintain all support regarding K-12 concurrent enrollment.	Implemented.	