

To the Board of Trustees
Marin Community College District
Novato, California

This letter is intended to inform the Board of Trustees of Marin Community College District (the "District") about significant matters related to the conduct of the annual audit so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities to the Board of Trustees.

The following summarizes various matters which must be communicated to you under auditing standards generally accepted in the United States of America.

The Auditor's Responsibility Under Generally Accepted Auditing Standards

Our audit of the financial statements of Marin Community College District for the year ended June 30, 2006 was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller of the United States, the provisions of the Single Audit Act, OMB Circular A-133 and OMB's Compliance Supplement. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe that our audit accomplished that objective.

In accordance with *Governmental Auditing Standards*, we have also performed tests of controls and compliance with laws and regulations that contribute to the evidence supporting our opinion on the financial statements. However, they do not provide a basis for opining on the District's internal control or compliance with laws and regulations.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates, and we considered this information in the scope of our audit. The Board of Trustees may wish to monitor throughout the year the process used to compute and record these accounting estimates.

Audit Adjustments

There were no audit adjustments made to the CCFS-311 Financial Reports presented to us during our audit.

Potential Adjustments

We accumulated two potential adjustments, which were discussed with management and were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Therefore, the potential adjustments were not made to the financial statements. The potential adjustments are summarized on the attached schedule.

Accounting Policies and Alternative Treatments

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The District adopted the following new accounting policies as of and for the year ended June 30, 2006:

- Governmental Accounting Standards Board Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.*
- Governmental Accounting Standards Board Statement No. 44, *Economic Condition Reporting – The Statistical Section.*
- Governmental Accounting Standards Board Statement No. 46, *Net Assets Restricted by Enabling Legislation.*
- Governmental Accounting Standards Board Statement No. 47, *Accounting for Termination Benefits.*

Management of the District does not expect the adoption of these standards to have a significant impact on its financial position or results of operation.

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any other documents that contain the audited financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited financial statements of the District.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Major Issues Discussed with Management Prior to Retention

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

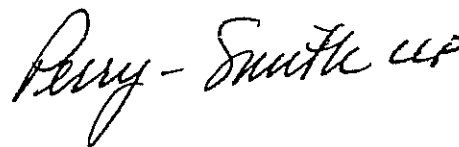
Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

* * * * *

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Marin Community College District.

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than the specified parties.



Sacramento, California
November 3, 2006

MARIN COMMUNITY COLLEGE DISTRICT
SUMMARIZED SCHEDULE OF POTENTIAL ADJUSTMENTS

JUNE 30, 2006

<u>Description</u>	<u>Effect – Increase (Decrease)</u>			
	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Expenses</u>
To increase interest income on deposits in the Capital Projects Fund	\$ 29,555		\$ 29,555	
To increase prepaid expenses relating to capital expenditures in the Measure C Construction Fund	144,350			\$ (144,350)
Total Effect	<u>\$ 173,905</u>	<u>\$ -</u>	<u>\$ (29,555)</u>	<u>\$ (144,350)</u>

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Board of Trustees and
Independent Citizens' Bond Oversight
Committee for Measure C
Marin Community College District
Novato, California

We have performed the procedures enumerated in Attachment II, which were agreed to by Marin Community College District (the "District") and the Independent Citizens' Bond Oversight Committee for Measure C (the "Committee"), solely to assist the Committee in evaluating District management's assertions concerning disbursements of bond funds as of June 30, 2006. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the District and the Committee. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment II either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and conclusions reached as a result of these procedures are identified in Attachment II. Attachment I contains background information about the Measure C Bonds. Attachment III is a listing of the expenditures tested. Attachment IV is the compiled Schedule of Measure C General Obligation Bonds.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed other procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of Marin Community College District and the Independent Citizens' Bond Oversight Committee for Measure C and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Perry-Smith LLP

November 3, 2006

**MARIN COMMUNITY COLLEGE DISTRICT
BACKGROUND INFORMATION**

LEGISLATIVE HISTORY

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities", upon approval by 55% of the electorate.

MARIN COMMUNITY COLLEGE DISTRICT GENERAL OBLIGATION BONDS, MEASURE C

The Marin Community College District, Marin County, California Election of 2004 General Obligation Bonds, Measure C were authorized at an election of the registered voters of the Marin Community College District held on November 2, 2004 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$249,500,000 principal amount of general obligation bonds of the District. The Bonds are being issued to finance the acquisition, construction and modernization of certain District property and facilities. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes. The text of the ballot language was as follows:

To repair and rehabilitate school buildings for student health and safety, qualify for State matching funds, upgrade inadequate plumbing, electrical, heating and ventilation systems, renovate restrooms, repair deteriorating roofs, repair dry rot, upgrade fire safety systems, provide needed classrooms and make other improvements to school sites and buildings, shall Marin Community College District issue \$249.5 million of bonds at any legally authorized interest rates, with annual audits and citizens oversight?

MARIN COMMUNITY COLLEGE DISTRICT PROCEDURES PERFORMED AND CONCLUSIONS

PROCEDURES PERFORMED

Marin Community College District provided a list of all Measure C project expenditures (the "List"). An approximate total of 150 warrants were identified representing \$5,493,704 in expenditures from January 1, 2006 to June 30, 2006. We performed the following procedures to the List of Measure C bond expenditures:

- Verified the mathematical accuracy of the List.
- Selected a sample of 50 expenditures totaling \$3,418,917. The sample was selected to provide a representation across specific construction projects, vendors, and expenditure amounts. The sample represented 33% of the total number of expenditures and 62% of the total expenditure value.
- Agreed selected expenditures to vendor invoices and cancelled warrants noting the date and amount of the expenditure, and that the funds were expended for the construction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities and that funds were not spent for District administrative or instructional salaries or other administrative expenses.

CONCLUSIONS

- The List was mathematically accurate.
- Each of the 50 expenditures tested represented valid Bond expenditures, and were determined to represent construction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities and were not spent for District administrative or instructional salaries or other administrative expenses.
- 50 of the expenditures tested were properly charged to the location indicated, and were properly coded as to the nature of the expenditure.
- 47 of the expenditures received the proper approvals, prior to disbursement of payment.
- 2 expenditures totaling \$83,423 went through the disbursement process without one of the six required signatures (checks 58843 and 59911).
- 2 expenditures totaling \$1,009,619 received District approval after the disbursement of payment (checks 60484 and 61341). These payments were specified in the contract with Sungard, which was approved by the Board of Trustees and the Vice President.
- 1 expenditure included a retention payable and \$3,353 was paid prior to completion of the project (check 61080).

**MARIN COMMUNITY COLLEGE DISTRICT
EXPENDITURES TESTED**

January 1, 2006 through June 30, 2006

Check Number	Date	Description	Amount
58584	January 4, 2006	Swinerton Management & Consulting	\$ 91,833
58635	January 11, 2006	Escrow Account	25,209
58756	January 18, 2006	Escrow Account	16,657
58758	January 18, 2006	Smile Business Products	384
58759	January 18, 2006	Steinberg Architects	118,382
58843	January 25, 2006	Fugro West, Inc.	82,387
58929	February 1, 2006	CSW Stuber-Stroeh Engineering	115,215
58930	February 1, 2006	Degenkolb Engineers	115,330
58934	February 1, 2006	Swinerton Management & Consulting	83,244
59029	February 8, 2006	Ninyo and Moore	42,255
59031	February 8, 2006	Royston, Hanamoto, Alley & Abe	37,381
59306	February 14, 2006	Marin Community College Revolving Fund	2,678
59443	February 22, 2006	CSW Stuber-Stroeh Engineering	23,311
59444	February 22, 2006	Ford Graphics	449
59447	February 22, 2006	Sehi Computer Products	295
59448	February 22, 2006	Amy Skewes-Cos	3,434
59911	March 8, 2006	Fugro West, Inc.	1,036
59912	March 8, 2006	Alfa Tech	26,136
59917	March 8, 2006	Jose Nunez	7,508
59919	March 8, 2006	Steinberg Architects	222,578
59920	March 8, 2006	Swinerton Management & Consulting	99,420
60121	March 22, 2006	Royston, Hanamoto, Alley & Abe	19,550
60123	March 22, 2006	Escrow Account	10,009
60199	March 29, 2006	CSW Stuber-Stroeh Engineering	33,533
60202	March 29, 2006	Transitions	31,166
60365	April 5, 2006	Allana Buick & Bers, Inc.	10,645
60370	April 5, 2006	Treemasters	95,415
60481	April 12, 2006	Swinerton Management & Consulting	82,095
60484	April 12, 2006	Sungard	969,099
60571	April 19, 2006	Swinerton Management & Consulting	85,054
60691	April 26, 2006	Steinberg Architects	106,186
60841	May 3, 2006	Royston, Hanamoto, Alley & Abe	71,489
60842	May 3, 2006	Sandis Humber Jones	3,317
60971	May 10, 2006	Ninyo and Moore	44,259
61080	May 17, 2006	CSW Stuber-Stroeh Engineering	52,324
61081	May 17, 2006	PG & E	26,517
61082	May 17, 2006	Alfa Tech	66,762
61083	May 17, 2006	Alfa Tech	45,519
61088	May 17, 2006	Steinberg Architects	10,766
61203	May 24, 2006	Ninyo and Moore	10,640
61335	May 31, 2006	Community College Service Group	23,590
61338	May 31, 2006	Sungard Bi-Tech Inc.	37,334
61339	May 31, 2006	Swinerton Management & Consulting	87,382
61340	May 31, 2006	Treemasters	174,503
61341	May 31, 2006	Evisions, Inc.	40,520
61426	June 13, 2006	MBT Architecture	2,244
61549	June 20, 2006	Hewlett-Packard Company	27,746
61553	June 20, 2006	Royston, Hanamoto, Alley & Abe	49,775
61645	June 27, 2006	Royston, Hanamoto, Alley & Abe	8,775
61647	June 27, 2006	Swinerton Management & Consulting	77,581
Total expenditures tested			<u>\$ 3,418,917</u>

**MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF MEASURE C GENERAL OBLIGATION BONDS**

Period Ended June 30, 2006

	Six Months Ended		Total Activity for the Year Ended
	December 31, 2005	June 30, 2006	June 30, 2006
Revenues:			
Interest and investment income	\$ 647,118	\$ 1,933,917	\$ 2,581,035
Expenditures:			
Salaries		40,958	40,958
Benefits		19,788	19,788
Supplies	411	1,990	2,401
Contract services	24,704	31,386	56,090
Capital outlay	1,860,652	5,399,582	7,260,234
	<u>1,885,767</u>	<u>5,493,704</u>	<u>7,379,471</u>
Net activity	<u>(1,238,649)</u>	<u>(3,559,787)</u>	<u>(4,798,436)</u>
Fund balance:			
Beginning of period	<u>74,526,789</u>	<u>73,288,140</u>	<u>74,526,789</u>
End of period	<u>\$ 73,288,140</u>	<u>\$ 69,728,353</u>	<u>\$ 69,728,353</u>

Board of Trustees and
Independent Citizens' Bond Oversight
Committee for Measure C
Marin Community College District
Novato, California

We have compiled the accompanying Schedule of Measure C General Obligation Bonds for the period ended June 30, 2006 (Attachment IV), in accordance with Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying Schedule of Measure C General Obligation Bonds for the period ended June 30, 2006 and, accordingly, do not express an opinion or any other form of assurance on it.

Perry - Smith LLP

Sacramento, California
November 3, 2006

MARIN COMMUNITY COLLEGE DISTRICT

COUNTY OF MARIN

NOVATO, CALIFORNIA

FINANCIAL STATEMENTS

WITH SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2006

AND

INDEPENDENT AUDITOR'S REPORT

MARIN COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 2006

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Statements of Net Assets	10-11
Statements of Revenues, Expenses and Change in Net Assets	12-13
Statements of Cash Flows	14-16
Notes to Basic Financial Statements	17-34
Supplemental Information:	
Independent Auditor's Report on Supplemental Information	35
Organization	36
Schedule of Federal Financial Awards	37
Schedule of State Financial Awards	38
Schedule of Workload Measures for State General Apportionment	39
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements	40
Notes to Supplemental Information	41
Independent Auditor's Report on State Compliance Requirements	42-43
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44-45

MARIN COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 2006

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	46-47
Findings and Recommendations:	
Schedule of Audit Findings and Questioned Costs	48
Summary of Findings and Recommendations	49-54
Status of Prior Year Findings and Recommendations	55-57

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

Perry - Smith LLP

Sacramento, California
November 3, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2006

New Accounting Standards

Marin Community College District (the "District") is now in its fourth year of complying with and preparing financial reports in accordance with Governmental Accounting Standards Board (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, 2006 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 10, and the notes to the basic financial statements beginning on page 17.

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

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

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

Financial Highlights

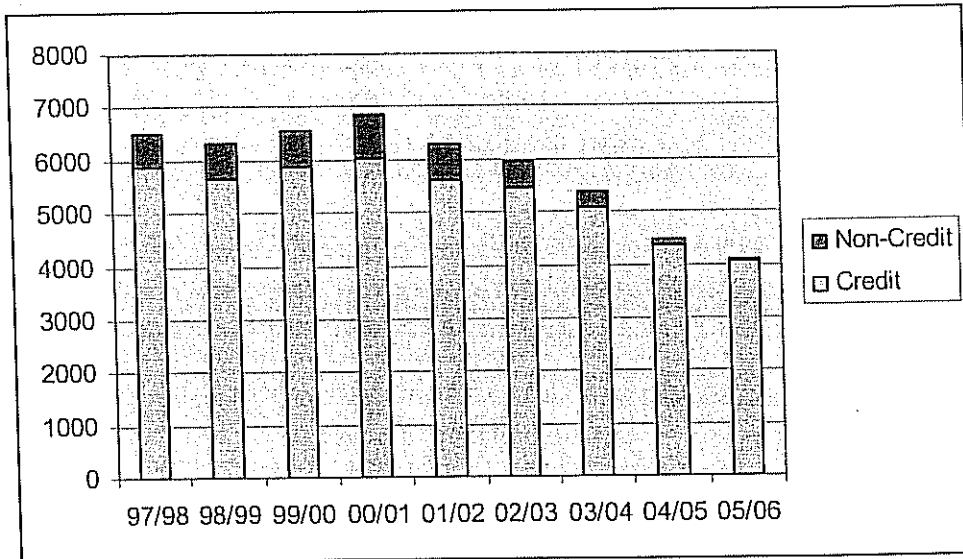
- Marin County property values continued to rise and local housing sales also continued at a brisk pace, moving the District further into "Basic Aid" as receipts of local property taxes and enrollment fees exceeded the revenue limit calculation under "Program Based Funding" for 2005-06 by about \$12 million. Program Based Funding, comprised of State Apportionment, local property taxes, and enrollment fees, is the State's mechanism used to allocate core funding to its community colleges. The primary basis for apportionment is the calculation of Full-Time Equivalent Students (FTES).
- Fiscal year 2005-06 ended significantly better than originally budgeted due to additional revenue collections and lower spending. Unrestricted revenues were about \$469,000 higher, principally from supplemental property taxes, mandated cost reimbursements, and interest income; expenditures were approximately \$621,000 lower than budgeted, resulting in revenues exceeding expenditures by \$1.1 million. Expenditure savings came from unfilled but budgeted positions and related benefits and unspent balances from various budgeted cost centers.

MANAGEMENT'S DISCUSSION AND ANALYSIS
 (Continued)
 Fiscal Year Ending June 30, 2006

Financial Highlights (Continued)

- Total FTES were 4,127, representing a 4.6% decline over the prior fiscal year. The District has embarked on a comprehensive enrollment management program to improve student access, strengthen outreach, expand marketing efforts, broaden class offerings to address and reverse the down trend.

**FTES Statistics
 1997/98 – 2005/06**



- Net costs for employee compensation rose about six percent compared to the prior year actual expenditures, as a result of salary increases of 6% and 5% for faculty and classified administrators, respectively. Benefits costs increased by over 6%, primarily driven by increases in medical benefits.
- For Fiscal Year 2005-06, the District pre-funded \$1 million of its approximate \$8 million unfunded liability for Other Postemployment Employee Benefits. Once the District determines funding approaches and how it will manage this liability in the future, such amounts set aside will be transferred to an appropriate third party compliant trust fund.
- A significant milestone in Measure C this year was the finalization of the consultant qualification process which culminated in the recommendation and then selection of the numerous engineering and consulting firms, including the District and Landscape Architects; Civil, Structural, Mechanical/Electrical/Plumbing, Geotechnical engineers; Industrial Hygienist and CEQA consultants, bond legal counsel, and other consulting firms. With those firms on board, the District was able to pick up where the 3DI facilities plan studies left off and begin the process of programming for master planning with a draft expected by Winter 2006. The District also engaged a project architect to begin the design process for the Diamond Physical Education Complex.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
Fiscal Year Ending June 30, 2006

Financial Highlights (Continued)

- Student Financial Aid provided to qualifying students of the District remained relatively stable at near \$3,300,000. This aid is provided through grants and loans from the Federal Government, the State Chancellor's Office and local funding.

Statement of Net Assets

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

Condensed financial information is as follows:
(In Thousands)

NET ASSETS

	2006	2005	%
			Change
Current Assets			
Cash and Cash Equivalents	\$ 17,772	\$ 10,207	74.1%
Other Current Assets	1,275	1,948	-34.5%
Total Current Assets	19,047	12,155	56.7%
Non-Current Assets			
Restricted Cash and Cash Equivalents	73,459	76,930	-4.5%
Capital Assets, Net of Depreciation	27,366	20,540	33.2%
Total Non-Current Assets	100,825	97,470	3.4%
Total Assets	119,872	109,625	9.3%
Current Liabilities			
Accounts Payable and Accrued Liabilities	5,353	4,035	32.7%
Deferred Revenues	1,782	1,665	7.0%
Claims Liability	75	75	-
Amounts Held on Behalf of Others	818	722	13.3%
Long-Term Liabilities - Current Portion	6,379	185	3,348.1%
Total Current Liabilities	14,407	6,682	115.6%
Non-Current Liabilities			
Long-Term Liabilities	76,061	82,462	-7.8%
Total Liabilities	90,468	89,144	1.5%
Net Assets			
Invested in Capital Assets	19,554	16,813	16.3%
Restricted for Expendable Purposes	8,794	1,525	476.7%
Unrestricted	1,056	2,143	-50.7%
Total Net Assets	\$ 29,404	\$ 20,481	43.6%

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
Fiscal Year Ending June 30, 2006

Statement of Net Assets (Continued)

- The net increase of \$7,565,000 in unrestricted cash and cash equivalents is the result of an approximate decrease in operating cash of \$1 million and an increase in cash in the Measure C Bond Redemption Fund of \$8,567,000.
- The \$673,000 net decrease in "Other Current Assets" is principally comprised of decreases in general fund receivables of \$209,000; \$282,000 in interest receivable in the Measure C Construction Fund; and a decrease in Deferred Maintenance reimbursement claims from the State of \$128,000.
- The net decrease in restricted cash of \$3,471,000 essentially relates to the Measure C construction spending, offset by earnings from interest income.
- The net increase in capital assets of \$6,826,000 represents additions to depreciable assets, net of actual depreciation of \$839,000 for fiscal year 2005-06. 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 net increase in Accounts Payable and Accrued Liabilities principally relates to increases in Measure C related trade payables and accruals of approximately \$1.6 million.
- Increases in the current portion of long-term liabilities and long-term liabilities relate to the debt of the underlying bond indenture.
- Net assets, previously reported as "fund balance" under the old reporting model, includes the value of all capital assets (net of accumulated depreciation).
- Restricted and/or reserved amounts include reserve for encumbrances, special reserves, capital projects reserves, inventories and prepaid items. The increase in "Restricted for expendable purposes" relates to funds collected from taxpayers for the repayment of Measure C obligations.
- "Unrestricted net assets" reflects the uncommitted balance for all funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2006

Statement of Revenues, Expenses and Changes in Net Assets

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

Operating Results

For the Years Ended June 30, 2006 and 2005

(In Thousands)

	2006	2005	% Change
Operating Revenues			
Tuition and fees	\$ 3,833	\$ 4,527	-15.3%
Grants and contracts	7,473	7,280	2.7%
Total Operating Revenues	<u>11,306</u>	<u>11,807</u>	<u>-4.2%</u>
Operating Expense			
Salaries and benefits	36,857	34,879	5.7%
Supplies and maintenance	9,708	9,666	0.4%
Depreciation	839	814	3.1%
Total Operating Expenses	<u>47,404</u>	<u>45,359</u>	<u>4.5%</u>
Loss from Operations	<u>(36,098)</u>	<u>(33,552)</u>	<u>7.6%</u>
Nonoperating Revenues and (Expenses)			
State apportionment	2,068	1,714	20.6%
Property taxes	41,742	30,513	36.8%
State revenues	745	594	25.4%
Investment income	2,941	393	652.4%
Interest expense on capital asset related debt	(4,085)	(41)	10202.4%
Other nonoperating revenues	1,416	1,761	-19.6%
Total Nonoperating Revenues (Expenses)	<u>44,826</u>	<u>34,934</u>	<u>28.0%</u>
Other Revenues			
State and local capital income	196	165	18.8%
Net Increase in Net Assets	<u>\$ 8,924</u>	<u>\$ 1,547</u>	<u>477.0%</u>

- Operating revenues, tuition and enrollment fees are down, and correspond to the declines in enrollments.
- As reported in the statement of revenues, expenses and change in net assets on page 12 of this report, the cost of all the District's governmental activities this year was \$47,404,000, an increase of approximately 4.5% compared to that of the prior year.
- Expenses for 2005-06 include, for the fourth year, depreciation of the District's plant and equipment of approximately \$839,000.
- 78% of all operating funds were directed to salary and benefit costs, comparable to that in the previous year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
Fiscal Year Ending June 30, 2006

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

- In the Non-operating Revenue and Expense areas, the increase in "State apportionment" represents an increase of \$266,000 in Partnership for Excellence funding and approximately \$100,000 of receipts from mandated cost claims.
- Amounts funded through our local taxpayers by means of property taxes was \$41.7 million, 36.8% higher than the previous year. General Fund property tax revenues increased about \$2.6 million or 8.6% over the prior year and the ad valorem taxes collected in the bond redemption fund added another \$8.6 million.
- Increases in both investment income and interest expense relate to activities in the bond redemption fund.

Statement of Cash Flows

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

(In Thousands)

	2006	2005
Cash (used in) provided by:		
Operating activities	\$ (36,687)	\$ (30,963)
Non-capital financing activities	46,375	35,699
Capital and related financing activities	(8,910)	75,369
Investing activities	3,316	74
Net increase in cash	4,094	80,179
Cash – beginning of fiscal year	87,137	6,958
Cash – end of fiscal year	\$ 91,231	\$ 87,137

- Operating activities includes tuition and fees, grants, and operating payments.
- Representing the largest cash in-flow, non-capital financing activities, includes property taxes, enrollment fees, State apportionments, and local revenues.
- Construction projects and capital debt are reported in capital and related financing activities. 2006 capital related financing activities relates to bond redemption whereas the 2005 amount related to the \$75 million bond issuance.
- Cash flow is adequate for a small district; the District participates in Marin County Treasurer's Office investment pool to maximize interest earnings on excess cash.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
Fiscal Year Ending June 30, 2006

Factors That May Affect the Future

- The State's economy seems to be improving as evidenced by increases in both growth as well as cost of living, although Marin Community College District only benefits from such funding increases in the categorical funds. Additionally, there were new significant one-time grants, and increased payments of old mandated cost claims.
- Following three years of enrollment fee increase, in 2006-07 the State reduced student enrollment fees from \$26/unit down to \$20/unit, which may positively impact enrollment.
- District Reserves were budgeted at 9.8% of General Fund Unrestricted expenditures in the 2006/07 Adoption Budget to buffer potential future funding losses and additional set aside/designated amounts for the retiree unfunded medical benefits liability. The District will strive to maintain reserves at that level in the 2007/08 fiscal year.

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

ASSETS

Current assets:	
Cash and cash equivalents (Note 2)	\$ 17,772,083
Accounts receivable (Note 3)	663,043
Prepaid expenses	<u>611,533</u>
Total current assets	<u>19,046,659</u>
Noncurrent assets:	
Restricted cash and cash equivalents (Note 2)	73,459,139
Capital assets, net (Note 4)	<u>27,366,545</u>
Total noncurrent assets	<u>100,825,684</u>
Total assets	<u>119,872,343</u>

LIABILITIES

Current liabilities:	
Accounts payable	5,352,881
Deferred revenue (Note 5)	1,782,048
Claims liability (Note 8)	75,428
Amounts held in trust (Note 2)	817,788
Compensated absences payable – current portion	39,039
Long-term debt - current portion (Note 6)	<u>6,340,100</u>
Total current liabilities	<u>14,407,284</u>
Noncurrent liabilities:	
Compensated absences payable – noncurrent portion	902,245
Premium on general obligation bonds (Note 6)	2,889,629
Long-term debt - noncurrent portion (Note 6)	<u>72,268,724</u>
Total noncurrent liabilities	<u>76,060,598</u>
Total liabilities	<u>90,467,882</u>

Contingent liabilities (Note 11)

NET ASSETS

Invested in capital assets, net of related debt	19,554,055
Restricted for:	
Capital projects	(40,002)
Debt service	8,834,612
Unrestricted	<u>1,055,796</u>
Total net assets	<u>\$ 29,404,461</u>

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

MARIN COMMUNITY COLLEGE DISTRICT

COLLEGE OF MARIN FOUNDATION
(A Nonprofit Organization)

STATEMENT OF NET ASSETS

June 30, 2006

ASSETS

Cash and cash equivalents (Note 2)	\$ 346,853
Investments (Note 2)	2,631,197
Prepaid expenses	<u>1,459</u>
Total assets	<u>2,979,509</u>

LIABILITIES

Accounts payable and accrued liabilities	7,697
Grants payable	<u>67,400</u>
Total liabilities	<u>75,097</u>

NET ASSETS

Unrestricted	21,672
Temporarily restricted	178,810
Permanently restricted	<u>2,703,930</u>
Total net assets	<u>\$ 2,904,412</u>

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

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

For the Year Ended June 30, 2006

Revenues:	
Operating revenues:	
Tuition and fees	\$ 3,833,005
Grants and contracts, noncapital:	
Federal	3,313,042
State	<u>4,159,561</u>
Total operating revenues	<u>11,305,608</u>
Expenses:	
Operating expenses (Note 13):	
Salaries and benefits (Notes 8, 9 and 10)	36,856,550
Supplies, materials and other operating expenses and services	8,938,226
Equipment, maintenance and repairs	770,032
Depreciation (Note 4)	<u>839,420</u>
Total operating expenses	<u>47,404,228</u>
Loss from operations	<u>(36,098,620)</u>
Non-operating revenues (expenses):	
State apportionment, non capital	2,067,741
Local property taxes (Note 7)	41,742,304
State taxes and other revenues	744,631
Investment income, non-capital	2,940,593
Interest expense on capital asset-related debt, net	(4,084,997)
Other non-operating revenues	<u>1,416,047</u>
Total non-operating revenues (expenses)	<u>44,826,319</u>
Income before capital revenues	<u>8,727,699</u>
Capital revenues:	
State apportionment	157,914
Grants and gifts, capital	<u>37,950</u>
Total capital revenues	<u>195,864</u>
Increase in net assets	8,923,563
Net assets – beginning of year	<u>20,480,898</u>
Net assets – end of year	<u>\$ 29,404,461</u>

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

MARIN COMMUNITY COLLEGE DISTRICT

COLLEGE OF MARIN FOUNDATION
(A Nonprofit Organization)

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

For the Year Ended June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:				
Contributions	\$ 111,571	\$ 334,642	\$ 146,448	\$ 592,661
Interest and dividend income	6,374		169,491	175,865
Other revenues	92,257	(13,973)	(68,670)	9,614
Net assets released from restrictions by payments	<u>532,760</u>	<u>(330,779)</u>	<u>(201,981)</u>	<u> </u>
Total revenues	<u>742,962</u>	<u>(10,110)</u>	<u>45,288</u>	<u>778,140</u>
Expenses:				
Grants and related activities	538,881			538,881
Salaries and benefits	87,876			87,876
Professional services	46,602			46,602
Other expenses	<u>58,377</u>			<u>58,377</u>
Total expenses	<u>731,736</u>			<u>731,736</u>
Increase (decrease) in net assets	11,226	(10,110)	45,288	46,404
Net assets, beginning of year	<u>10,446</u>	<u>188,920</u>	<u>2,658,642</u>	<u>2,858,008</u>
Net assets, end of year	<u>\$ 21,672</u>	<u>\$ 178,810</u>	<u>\$ 2,703,930</u>	<u>\$ 2,904,412</u>

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

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2006

Cash flows from operating activities:	
Tuition and fees	\$ 3,802,142
Federal grants and contracts	3,254,184
State grants and contracts	4,341,023
Local grants and contracts	(120,052)
Payments to suppliers and vendors	(9,212,980)
Payments to employees	(38,847,335)
Payments to students	<u>95,608</u>
Net cash used in operating activities	<u>(36,687,410)</u>
Cash flows from noncapital financing activities:	
State appropriations	2,067,741
Local property taxes	41,742,304
State taxes and other revenues	807,231
Other non-operating revenues	<u>1,757,861</u>
Net cash provided by noncapital financing activities	<u>46,375,137</u>
Cash flows from capital and related financing activities:	
State appropriations for capital purposes	157,914
Local revenue for capital purposes	37,950
Purchase of capital assets	(6,118,999)
Premium on issuance of capital debt	(125,636)
Principal paid on capital debt	(148,496)
Interest paid on capital debt, net	<u>(2,712,990)</u>
Net cash used in capital and related financing activities	<u>(8,910,257)</u>
Cash flows provided by investing activities:	
Interest income	<u>3,316,641</u>
Net increase in cash and cash equivalents	4,094,111
Cash and cash equivalents, beginning of year	<u>87,137,111</u>
Cash and cash equivalents, end of year	<u>\$ 91,231,222</u>

(Continued)

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2006

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (36,098,620)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	839,420
Changes in assets and liabilities:	
Receivables, net	10,603
Prepaid expenses	37,714
Accounts payable	(1,571,272)
Deferred revenue	(38,914)
Amounts held in trust	95,608
Compensated absences	<u>38,051</u>
Net cash used in operating activities	<u>\$ (36,687,410)</u>
Supplemental information on non-cash transactions:	
Capital financing – acquisition of capital assets through capital lease	<u>\$ 29,600</u>

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

MARIN COMMUNITY COLLEGE DISTRICT

COLLEGE OF MARIN FOUNDATION
(Nonprofit Organization)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2006

Cash flows from operating activities:	
Increase in net assets	\$ 46,404
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Decrease in accounts receivable	1,817
Decrease in prepaid expenses	599
Decrease in accounts payable and accrued liabilities	(5,213)
Decrease in grants payable	<u>(730)</u>
Net cash provided by operating activities	<u>42,877</u>
Cash flows used in investing activities:	
Increase in investment securities	<u>(165,783)</u>
Net decrease in cash and cash equivalents	(122,906)
Cash and cash equivalents, beginning of year	<u>469,759</u>
Cash and cash equivalents, end of year	<u>\$ 346,853</u>

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

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Marin Community College District (District) is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14. The District is classified as a state instrumentality under Internal Revenue Code Section 115, and is also classified as a charitable organization under Internal Revenue Code Section 501(c)(3), and is therefore exempt from Federal taxes.

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

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

Basis of Presentation

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

For the Foundation, restricted contributions are recorded as deferred support and recognized when funds are expended for established purposes. Alternatively, unrestricted contributions are recognized when received. Interest and gains/losses on investments are allocated to respective funds.

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

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

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

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

Fair Value of Pooled Investments

The District records its investment in Marin County Treasury at fair value. Changes in fair value are reported as revenue in the statement of revenues, expenses and changes in net assets. The fair value of investments including the Marin County Treasury external investment pool at June 30, 2006 approximated their carrying value.

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District does not record an allowance for doubtful accounts. When receivables are determined to be uncollectable, a direct write-off is recorded.

Capital Assets

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

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

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

Compensated Absences

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

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

Deferred Revenue

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

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Assets

The District's and Foundation's net assets are classified as follows:

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

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

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

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

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

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, 2006 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 and is based on information provided by an outside actuary. Outstanding claims which are expected to become due and payable within the subsequent fiscal year are reflected as an accounts and claims payable liability and the balance of the estimated liability is reflected as a current liability in the Internal Service Fund.

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Classification of Revenue

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

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

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

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.

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

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

District cash and cash equivalents at June 30, 2006, consisted of the following:

Pooled Funds:	
Cash in County Treasury	\$ 89,347,434
Cash awaiting deposit	<u>359,949</u>
	89,707,383
Deposits:	
Cash on hand and in banks	291,276
Cash in revolving account	15,037
Cash held by Fiscal Agent	<u>1,217,526</u>
Total cash and cash equivalents	<u>91,231,222</u>
Less: restricted cash and cash equivalents:	
Cash in County Treasury	71,423,825
Cash held by Fiscal Agent	1,217,526
Cash held in trust	<u>817,788</u>
Total restricted cash and cash equivalents	<u>73,459,139</u>
Net cash and cash equivalents	<u>\$ 17,772,083</u>

Cash in County Treasury

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

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

The District's deposits in the fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The Marin County Treasurer has indicated that there are no derivatives in the pool as of June 30, 2006.

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

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash in County Treasury (Continued)

Foundation cash, cash equivalents and investments at June 30, 2006 consisted of the following:

Cash in banks:	
Unrestricted	\$ 27,911
Restricted	<u>318,942</u>
Total cash and cash equivalents	<u>\$ 346,853</u>
Investment in mutual funds	<u>\$ 2,631,197</u>

Cash with Fiscal Agent

Cash with Fiscal Agent of \$1,217,526 is held by a trustee for the improvement of campus facilities.

Cash Held in Trust

Cash held in trust of \$817,788 relates to agency funds held by the District on behalf of others.

Custodial Credit Risk

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

Cash balances held in banks are insured up to \$100,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2006, the carrying amount of the District's cash on hand and in banks was \$306,313 and the bank balance was \$307,438. The bank balance amount insured by the FDIC was \$100,000.

The Foundation maintains substantially all of its cash in banks and are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2006, the carrying amount of the Foundation's cash in banks was \$346,853 and the bank balance was \$326,142. The bank balance amount insured by the FDIC was \$100,397.

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

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Credit Risk

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

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

Interest Rate Risk

The District and Foundation's investment policies do not limit cash and investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. At June 30, 2006, the District and Foundation had no significant interest rate risk related to cash and investments held.

Concentration of Credit Risk

The District and Foundation do not place limits on the amount they may invest in any one issuer. At June 30, 2006, the District and Foundation had no concentration of credit risk.

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2006 are summarized as follows:

Federal	\$ 221,801
State	135,056
Local and other	<u>306,186</u>
	<u>\$ 663,043</u>

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

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2005	Additions	Disposals and Transfers	Balance June 30, 2006
Land	\$ 3,119,170			\$ 3,119,170
Land improvements	1,714,905			1,714,905
Building improvements	31,659,900	\$ 284,984	\$ 480,574	32,425,458
Machinery and equipment	2,917,668	304,945		3,222,613
Construction-in-progress	<u>846,240</u>	<u>7,075,563</u>	<u>(480,574)</u>	<u>7,441,229</u>
Total	<u>40,257,883</u>	<u>7,665,492</u>		<u>47,923,375</u>
Less accumulated depreciation:				
Land improvements	1,645,339	4,798		1,650,137
Building improvements	16,182,574	625,494		16,808,068
Machinery and equipment	<u>1,889,497</u>	<u>209,128</u>		<u>2,098,625</u>
Total	<u>19,717,410</u>	<u>839,420</u>		<u>20,556,830</u>
Capital assets, net	<u>\$ 20,540,473</u>	<u>\$ 6,826,072</u>	<u>\$ -</u>	<u>\$ 27,366,545</u>

5. DEFERRED REVENUE

Deferred revenue consists of the following at June 30, 2006:

Deferred federal and state revenue	\$ 557,192
Deferred tuition and student fees	394,563
Deferred local grant revenue and other	<u>830,293</u>
Total deferred revenue	<u>\$ 1,782,048</u>

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

6. LONG-TERM DEBT

General Obligation Bonds

In April 2005, the District issued Series A, 2004 General Obligation Bonds aggregating \$75,000,000. The bonds mature through 2030 and bear interest at rates ranging from 3% to 5%. The proceeds from the issuance will be used to finance the acquisition, construction and modernization of certain District property and facilities. Resulting from the bond issuance, the District received a premium of \$3,015,265 and paid issuance costs of \$559,158. The premium and issuance costs will be amortized over the life of the bond repayment. At June 30, 2006, the District has unamortized premiums and issuance costs of \$2,889,629 and \$535,860, respectively.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 6,200,000	\$ 3,313,604	\$ 9,513,604
2008	5,485,000	3,091,821	8,576,821
2009	6,135,000	2,792,350	8,927,350
2010	325,000	2,757,850	3,082,850
2011	460,000	2,744,388	3,204,388
2012-2016	4,790,000	13,105,896	17,895,896
2017-2021	10,400,000	11,188,440	21,588,440
2022-2026	18,460,000	7,540,949	26,000,949
2027-2030	<u>22,745,000</u>	<u>1,831,043</u>	<u>24,576,043</u>
	<u>\$ 75,000,000</u>	<u>\$ 48,366,341</u>	<u>\$ 123,366,341</u>

Lease Revenue Bonds

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 25,000	\$ 39,339	\$ 64,339
2008	30,000	38,839	68,839
2009	35,000	38,201	73,201
2010	40,000	37,326	77,326
2011	45,000	36,226	81,226
2012-2016	340,000	154,163	494,163
2017-2021	565,000	74,170	639,170
2022-2026	860,165	1,583,791	2,443,956
2027-2031	789,329	2,086,241	2,875,570
2032-2033	<u>301,340</u>	<u>1,005,822</u>	<u>1,307,162</u>
	<u>\$ 3,030,834</u>	<u>\$ 5,094,118</u>	<u>\$ 8,124,952</u>

MARIN COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6. LONG-TERM DEBT (Continued)

Energy Efficiency Revenue Bonds

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

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2007	\$ 109,977
2008	109,977
2009	109,977
2010	109,977
2011	<u>109,977</u>
	<u>\$ 549,885</u>

Capital Lease Obligations

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 5,123	\$ 2,165	\$ 7,288
2008	5,577	1,712	7,289
2009	6,070	1,218	7,288
2010	6,607	682	7,289
2011	<u>4,728</u>	<u>132</u>	<u>4,860</u>
	<u>\$ 28,105</u>	<u>\$ 5,909</u>	<u>\$ 34,014</u>

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

6. LONG-TERM DEBT (Continued)

Total Long-Term Debt

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 6,340,100	\$ 3,355,108	\$ 9,695,208
2008	5,630,554	3,132,372	8,762,926
2009	6,286,047	2,831,769	9,117,816
2010	481,584	2,795,858	3,277,442
2011	619,705	2,780,746	3,400,451
2012-2016	5,130,000	13,260,059	18,390,059
2017-2021	10,965,000	11,262,610	22,227,610
2022-2026	19,320,165	9,124,740	28,444,905
2027-2031	23,534,329	3,917,284	26,451,613
2032-2033	301,340	1,005,822	1,307,162
	<u>\$ 78,608,824</u>	<u>\$ 53,466,368</u>	<u>\$ 131,075,192</u>

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

	<u>General Obligation Bonds</u>	<u>Lease Revenue Bonds</u>	<u>Energy Efficiency Revenue Bonds</u>	<u>Capitalized Lease Obligations</u>	<u>Total</u>
Balance, July 1, 2005	\$75,000,000	\$ 3,050,834	\$ 659,862	\$ 17,024	\$78,727,720
New issuances				29,600	29,600
Principal payments		20,000	109,977	18,519	148,496
Balance, June 30, 2006	<u>\$75,000,000</u>	<u>\$ 3,030,834</u>	<u>\$ 549,885</u>	<u>\$ 28,105</u>	<u>\$78,608,824</u>

7. PROPERTY TAXES

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

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

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 year ended July 1, 2005 through June 30, 2006 is as follows:

Liability balance, July 1, 2005	\$ 75,428
Claims and changes in estimates	573,307
Claims payments	<u>(573,307)</u>
Liability balance, June 30, 2006	<u>\$ 75,428</u>

9. EMPLOYEE RETIREMENT SYSTEMS

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

State Teachers' Retirement System (STRS)

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.

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

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

State Teachers' Retirement System (STRS) (Continued)

Plan Description (Continued)

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

Funding Policy

Active members of the DB Plan are required to contribute 8.0% of their salary while the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2005-06 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The district contribution rate for the CB Benefit Program is always a minimum of 4% with the sum of the district and employee contribution always being equal or greater than 8%.

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

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

State Teachers' Retirement System (STRS) (Continued)

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,310,553, \$1,177,367 and \$1,251,587, respectively and equal 100% of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements. In their most recent actuarial valuation of the DB Plan as of June 30, 2001, the independent actuaries for STRS determined that, at June 30, 2001, the actuarial value of the DB program's actuarial accrued liabilities exceeded the program's actuarial value of assets by \$2.2 billion. Based on this valuation, the current statutory contributions are sufficient to fund normal cost and amortize the actuarial unfunded obligation of \$2.2 billion by 2030. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors. In their most recent actuarial valuation of the CB Plan as of June 30, 2001, the independent actuaries for STRS determined that, at June 30, 2001, the actuarial value of the CB program's actuarial accrued liabilities exceeded the program's actuarial value of assets by \$1.2 million. The STRS management is continually evaluating the impact of market fluctuations on the assets of the CB Program. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors.

California Public Employees' Retirement System (CalPERS)

Plan Descriptions

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

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

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary, and the district is required to contribute an actuarially determined rate. The District's contribution rate to CalPERS for fiscal year 2002-03 was 2.894% beginning with the first pay period ending in July 2002; CalPERS then lowered the rate to 2.771% beginning with the first pay period ending in February 2003. On May 16, 2003, CalPERS approved a school employer contribution rate of 10.42% beginning with the first pay period that ends in July 2003. The required employer contribution rate for fiscal year 2005-2006 was 9.12% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2006, 2005 and 2004 were \$881,547, \$855,659 and \$922,480, respectively, and equaled 100 percent of the required contributions for each year. The actuarial assumptions used as part of the June 30, 2001, actuarial valuation (the most recent actuarial information available) included (a) an 8.25% investment rate of return (net of administrative expense); (b) an overall growth in payroll of 3.75% annually; and (c) an inflation component of 3.5% compounded annually that is a component of assumed wage growth, and assumed future post-retirement cost of living increases. The actuarial value of pension fund assets was determined by using a technique to smooth the effect of short-term volatility in the market value of investments.

10. ADDITIONAL EMPLOYEE BENEFITS

Post-Retirement Health Care Benefits

In addition to the pension benefits described in Note 9, the District provides post-retirement health care benefits to employees hired prior to 1988 and who retire from the District and meet the specific eligibility requirements set forth in their prospective employment contracts.

The District pays medical and dental insurance premiums to maintain the level of coverage enjoyed by the retiree immediately preceding retirement up until the age of 70 or death of the retiree. Expenditures for post-retirement health care benefits are recognized as the premiums are paid. Currently, 76 employees meet those eligibility requirements. For the year ended June 30, 2006, expenditures of approximately \$663,194 were recognized for post-retirement health care benefits. The approximate unfunded accumulated future liability based on current costs for current retirees of the District at June 30, 2006 amounts to \$3,954,747.

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

10. ADDITIONAL EMPLOYEE BENEFITS (Continued)

Early Retirement Incentive Package

In 2004, the Board of Trustees approved the 2004 Early Retirement Incentive Package. Employees who have reached the age of 55 and have at least 15 years of service to the District, and have submitted their application for retirement as of June 30, 2004 are eligible to participate. The program is funded by the District and is paid to the participating employees over two years. Each employee is entitled to receive \$12,500 in each year subsequent to fiscal year 2004. During 2006, the District paid \$234,662, representing the remaining payable balance of the 2004 Early Retirement Incentive Package, and as of June 30, 2006 the package was closed.

11. 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 and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect on the district's financial position.

12. JOINT POWERS AGREEMENTS

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

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

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

MARIN COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

12. JOINT POWERS AGREEMENTS (Continued)

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

	June 30, 2005 <u>NCCCSIA</u>	June 30, 2006 <u>SELF</u>	June 30, 2005 <u>MSIA</u>	June 30, 2005 <u>SWACC</u>
Total assets	\$ 10,679,182	\$ 219,228,961	\$ 8,435,248	\$ 28,208,879
Total liabilities	\$ 4,870,114	\$ 191,182,670	\$ 13,537,153	\$ 17,248,919
Net assets (liabilities)	\$ 5,809,068	\$ 28,046,291	\$ (5,101,905)	\$ 10,959,960
Total revenues	\$ 7,569,639	\$ 63,688,772	\$ 10,321,511	\$ 9,373,188
Total expenses	\$ 7,185,155	\$ 38,865,579	\$ 10,772,433	\$ 4,837,422
Change in net assets	\$ 384,484	\$ 24,823,193	\$ 450,922	\$ 4,535,766

13. OPERATING EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2006.

<u>Functional Classifications</u>	<u>Salaries and Benefits</u>	<u>Supplies, Materials and Other Operating Expenses</u>	<u>Equipment, Maintenance and Repairs</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 19,538,594	\$ 422,350	\$ 242,511		\$ 20,203,455
Academic Support	2,301,083	231,814	336,320		2,869,217
Student Services	3,825,814	342,951	56,771		4,225,536
Operating and Maintenance of Plant	1,426,417	1,358,745	78,272		2,863,434
Institution Support	6,967,309	2,270,652	4,633		9,242,594
Public Service	2,113,479	956,382	17,046		3,086,907
Auxiliary Operations	683,854	93,290	34,479		811,623
Student Aid		3,262,042			3,262,042
Depreciation				\$ 839,420	\$ 839,420
Totals	<u>\$36,856,550</u>	<u>\$ 8,938,226</u>	<u>\$ 770,032</u>	<u>\$ 839,420</u>	<u>\$47,404,228</u>

14. SUBSEQUENT EVENTS

On July 1, 2006, the District issued \$9,500,000 of Tax and Revenue Anticipation Notes (TRANS) maturing on June 30, 2007, with interest at 4.5% to provide for cash flow deficits during the fiscal year. The notes are a general obligation of the District and are payable solely from revenues and cash receipts generated by the District during the fiscal year ending June 30, 2007.

SUPPLEMENTAL INFORMATION

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

Board of Trustees
Marin Community College District
Novato, California

We have audited the basic financial statements of Marin Community College District as of and for the year ended June 30, 2006, and have issued our report thereon dated November 3, 2006. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

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

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

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

Perry-Smith LLP

November 3, 2006

MARIN COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2006

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, 2006 were composed of the following members:

BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Greg Brockbank	President	2009
Carole Hayashino	Vice President	2007
Phil Kranenburg	Trustee	2007
Barbara Dolan	Trustee	2009
Wanden Treanor	Trustee	2009
Harry Moore	Trustee	2007
Eva Long, Ph.D.	Trustee	2007
Kelea Sandfort	Trustee	2006

DISTRICT ADMINISTRATION

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

Mr. Albert J. Harrison, II
Vice President, Business Services

MARIN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FEDERAL FINANCIAL AWARDS

For the Year Ended June 30, 2006

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Student Financial Aid Cluster:			
Federal College Work Study	84.003		\$ 220,467
Pell Grants	84.063		2,573,910
Pell Grant Administration	84.063		10,778
Federal Supplemental Educational Opportunity Grant	84.007		230,267
Child Care Access Means Parents in School	84.335		5,012
Vocation and Applied Technology Education Act	84.048		183,466
Independent Living	84.169		<u>9,674</u>
Total U.S. Department of Education			<u>3,233,574</u>
<u>U.S. Department of Health and Human Services</u>			
Temporary Assistance for Needy Families (TANF)	93.558		14,794
Child Development Training Consortium	93.575		17,200
Foster Care Education	93.658		<u>32,581</u>
Total U.S. Department of Health and Human Services			<u>64,575</u>
<u>U.S. Department of Agriculture</u>			
Child Care Food Program	10.558		<u>14,552</u>
<u>U.S. Department of Veterans Affairs</u>			
Veterans Administration	64.115		<u>341</u>
Total Federal categorical awards and allowances			<u>\$ 3,313,042</u>

See accompanying notes to
supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2006

	Program Entitlements			Program Revenues			Program Expenditures
	Current Year	Prior Year	Total	Cash Received	Accounts Receivable	Deferred Revenue/Accounts Payable	
Extended Opportunity Programs and Services	\$ 496,467		\$ 496,467	\$ 496,467			\$ 496,467
Cooperative Agencies Resources for Education	52,724		52,724	52,724			52,724
Disabled Student Programs & Services	1,366,141	\$ 59,097	1,425,238	1,425,238		\$ 8,252	1,416,986
TANF	14,114	680	14,794	14,114	\$ 680		14,794
CalWorks	123,506	1,500	125,006	123,506		41,108	82,398
Lottery Instruction Materials	111,534	147,651	259,185	190,681	68,504	153,561	105,624
Matriculation	262,469		262,469	262,469			262,469
Matriculation-Non-credit	112,549		112,549	112,549			112,549
Foster Care Education	28,363		28,363	23,894	4,469		28,363
Administrative 2% Enrollment Fee Waivers	19,312		19,312	19,312			19,312
California Articulation Number System	129	1,145	1,145	129		129	1,145
Economic Development - Multimedia	170,852	94,856	265,708	238,372	27,336		265,708
Faculty/Staff Diversity	11,196	16,632	27,828	27,828		13,983	13,845
Nursing Enrollment Growth	179,487	58,824	58,824	58,824			58,824
Nursing Capacity	1,797		1,797	179,487		177,783	1,704
Peace Officers Training				1,797		686	1,111
Transfer & Articulation		12,029	12,029	12,029			12,029
Telecom and Tech Infrastructure	52,332	59,497	111,829	111,829		72,442	39,387
Instructional Equipment & Library Materials	103,651	255,641	359,292	359,292		124,887	234,405
BFAP Administrative	201,632		201,632	201,632			201,632
Cal Grant	304,127		304,127	303,159	968		304,127
Child Care Food Program - Preschool	821		821	629	192		821
Child Care Food Program - Pre-K	1,725		1,725	1,725			1,725
Child Development Bailout Funds	139,812		139,812	139,812			139,812
Child Development Contract Funds	115,911		115,911	113,486	2,042		115,528
Child Development Renovation and Repair	1,271		1,271	1,271			1,271
Total	\$ 3,871,922	\$ 707,552	\$ 4,579,474	\$ 4,472,255	\$ 104,191	\$ 592,831	\$ 3,983,615
							\$ 3,984,760

See accompanying notes to supplemental information.

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

Annualized Attendance as of June 30, 2006

	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
Categories of Resident FTES			
A. Credit full-time equivalent student (FTES)			
1. Weekly census	3,307		3,307
2. Daily census	330		330
3. Actual hours of attendance	326		326
4. Independent study work experience	<u>96</u>		<u>96</u>
Total	<u>4,059</u>	<u>-</u>	<u>4,059</u>
B. Noncredit FTES			
1. Actual hours of attendance	69		69
C. Gross square footage			
1. Existing facilities	580,559		580,559
2. New facilities	-		-
D. FTES in New Facilities	-		-

See accompanying notes to
 supplemental information.

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

For the Year Ended June 30, 2006

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

See accompanying notes to
supplemental information.

MARIN COMMUNITY COLLEGE DISTRICT
NOTES TO SUPPLEMENTAL INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedules of Federal and State Financial Awards

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

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

B - Schedule of Workload Measures for State General Apportionment

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

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

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

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

Board of Trustees
Marin Community College District
Novato, California

We have audited the basic financial statements of Marin Community College District for the year ended June 30, 2006, and have issued our report thereon dated November 3, 2006.

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

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

General Directives

Management Information System Implementation – Required Data Elements

Administration

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

Student Services

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

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

(Continued)

Special Programs

Extended Opportunity Programs and Services – (EOPS) Allocation of Costs

Facilities

Non-credit Courses

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

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

In our opinion, the Marin Community College District complied, in all material respects with the aforementioned requirements except as discussed in the Schedule of Audit Findings and Questioned Costs Section of this report, for the year ended June 30, 2006.

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

Perry-Smith LLP

Sacramento, California
November 3, 2006

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

Board of Trustees
Marin Community College District
Novato, California

We have audited the basic financial statements of Marin Community College District as of and for the year ended June 30, 2006, and have issued our report thereon dated November 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marin Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

(Continued)

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

Perry-Smith LLP

Sacramento, California
November 3, 2006

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

Board of Trustees
Marin Community College District
Novato, California

Compliance

We have audited the compliance of Marin Community College District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major Federal programs for the year ended June 30, 2006. Marin Community College District's major Federal programs are identified in the accompanying schedule of Federal financial assistance. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major Federal programs is the responsibility of Marin Community College District's management. Our responsibility is to express an opinion on Marin Community College District's compliance based on our audit.

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

In our opinion, Marin Community College District complied, in all material respects, with the requirements referred to above for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Marin Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to Federal programs. In planning and performing our audit, we considered Marin Community College District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Perry-Smith LLP

Sacramento, California
November 3, 2006

FINDINGS AND RECOMMENDATIONS

MARIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

June 30, 2006

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

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

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

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

Identification of major programs:

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

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

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

STATE AWARDS

Internal control over State programs:
 Material weakness identified? _____ Yes X No
 Reporting conditions identified
 not considered as material
 weakness _____ Yes X No

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

MARIN COMMUNITY COLLEGE DISTRICT
SUMMARY OF FINDINGS AND RECOMMENDATIONS

June 30, 2006

STATE COMPLIANCE

1. NON-CREDIT COURSES

Criteria

Education code section 70901; CCR, Title 5 Sections 55002(c), 55150, and 58050; Memo issued by Chancellor Drummond titled *Requirements for Claiming Apportionment for Noncredit Courses – Self Assessment Checklist for Compliance due into System Office* issued April 2005.

Condition

The District did not complete the required self-assessment checklists for Non-credit Courses.

Effect

The District is not in compliance with the requirements for Non-credit Courses.

Cause

The District did not complete the required Non-credit course self-assessment checklists.

Fiscal Impact

Not applicable.

Recommendation

We recommend the District ensure all required self-assessment checklists be completed for all Non-credit Courses.

Corrective Action Plan

The District agrees and will prepare the Non-credit self-assessment checklists.

MARIN COMMUNITY COLLEGE DISTRICT
SUMMARY OF FINDINGS AND RECOMMENDATIONS
(Continued)
June 30, 2006

INTERNAL CONTROLS

2. PAYROLL

Criteria

Best practices for internal control and safeguarding of assets.

Condition

The Accounts Receivable Technician and Payroll Technician have the ability to add or change employee master file information maintained in the payroll system, including the creation of new employee profiles and modification of pay rates.

Effect

There exists the potential that fictitious employees could be added to the master file, or pay rates could be altered.

Cause

Due to lack of staffing, the segregation of duties and limitation on responsibilities was not implemented.

Fiscal Impact

Not applicable.

Recommendation

The District should restrict the ability to change employee master file data exclusively to the Human Resource Department.

Corrective Action Plan

The District agrees and the Office of Human Resources began training this fall on Pertaine, the County's payroll system, and has assumed responsibilities for maintaining the employee master files.

MARIN COMMUNITY COLLEGE DISTRICT

SUMMARY OF FINDINGS AND RECOMMENDATIONS

(Continued)

June 30, 2006

INTERNAL CONTROLS (Continued)

3. JOURNAL ENTRY TESTING

Criteria

Best practices for internal control safeguarding of assets.

Condition

The District does not have formal policies and procedures in place for review of journal entries.

Effect

Potential misclassification of assets.

Cause

The District's current process does not require the sign off and review of journal entries.

Fiscal Impact

Not applicable.

Recommendation

Journal entries meeting a certain threshold determined by the District should be reviewed by an independent employee.

Corrective Action Plan

The District agrees and has updated its financial transactions review processes to include review and sign off on large and/or unusual journal entries.

MARIN COMMUNITY COLLEGE DISTRICT
SUMMARY OF FINDINGS AND RECOMMENDATIONS
(Continued)
June 30, 2006

INTERNAL CONTROLS (Continued)

4. CASH RECEIPTS – KENTFIELD CASHIERS OFFICE

Criteria

Best practices for internal control and safeguarding of assets.

Condition

Checks received are not being consistently endorsed immediately upon receipt.

Effect

Funds received could potentially be used for other than their intended purpose.

Cause

The internal control procedures was added by the District; however, the procedures are not consistently followed in daily operations.

Fiscal Impact

Not applicable.

Recommendation

All checks should be restrictively endorsed upon receipt.

Corrective Action Plan

The District agrees and is reinforcing cashiering procedures for more effective internal control.

MARIN COMMUNITY COLLEGE DISTRICT

SUMMARY OF FINDINGS AND RECOMMENDATIONS

(Continued)
June 30, 2006

INTERNAL CONTROLS (Continued)

5. BANK RECONCILIATIONS

Criteria

Best practices for internal control and safeguarding of assets.

Condition

District bank reconciliations for March and April 2006 were not signed or initialed by the reviewer of the reconciliation.

Effect

Due to the lack signature or initials of the reviewer, the District is unable to substantiate a review of the bank reconciliation was completed timely.

Cause

Due to a change in personnel this procedure was not completed for the months of March and April 2006 and the District has since implemented procedures to correct this control deficiency.

Fiscal Impact

Not applicable.

Recommendation

The District should continue to monitor this control requirement to ensure the review of all bank reconciliations is properly completed.

Corrective Action Plan

The District agrees and has updated its financial transactions review process to include independent review and sign off.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

MARIN COMMUNITY COLLEGE DISTRICT

SUMMARY OF FINDINGS AND RECOMMENDATIONS

(Continued)

June 30, 2006

INTERNAL CONTROLS (Continued)

6. INFORMATION TECHNOLOGY DEPARTMENT POLICIES AND PROCEDURES

Criteria

Internal Control – Policies and Procedures

Condition

The District has not developed or approved a formal disaster recovery plan related to the District's Information Technology Department operations.

Effect

The District's system is subject to undue interruption of service.

Cause

The District has not completed a formal disaster recovery plan as they are in the process of purchasing or converting to a new system.

Fiscal Impact

Not applicable.

Recommendation

The District should develop and implement a disaster recovery plan to ensure electronic information, including student records and fiscal documentation, can be recreated in the event of a computer system failure.

Corrective Action Plan

The District is in the implementation phases of transitioning to a new administrative system. As part of that transition, the District will prepare and document an appropriate disaster recovery plan.

MARIN COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

June 30, 2006

Findings	Recommendations	Current Status	District Explanation if Not Fully Implemented
<p>1. Extended Opportunity Programs and Services (EOP&S) – Allocation of Cost The District did not perform time studies to support the allocation of multi-funded employee salaries charged to the EOP&S program.</p>	<p>The District should implement procedures requiring time studies to be performed for all employees who are multi-funded and whose salaries are charged to the EOP&S program.</p>	Implemented.	
<p>2. Scheduled Maintenance The District does not meet the maintenance of effort test for the scheduled maintenance program.</p>	<p>We recommend that the District review their Scheduled Maintenance and other Special Repairs Expenditures to ensure they meet the required maintenance of effort.</p>	Implemented.	
<p>3. Salaries of Classroom Instructors – 50% Law – Capital Outlay A new copier that is a replacement item was improperly excluded from the current expense of education.</p>	<p>We recommend the District review capital outlay expenditures to ensure they are properly classifying replacement equipment.</p>	Implemented.	
<p>4. Payroll The Accounts Receivable Technician and Payroll Technician have the ability to add or change employee master file information maintained in the payroll system, including the creation of new employee profiles and modification of pay rates.</p>	<p>The District should restrict the ability to change employee master file data exclusively to the Human Resource Department.</p>	Not implemented.	See current year finding No. 3.

MARIN COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)
June 30, 2006

Findings	Recommendations	Current Status	District Explanation if Not Fully Implemented
<p>5. Admissions and Records – Indian Valley Campus The safe located in the Admissions and Records Office is not restricted to dual custody. The safe combination is known by all of the cashiers. Further, all cashiers can access the safe without management supervision or approval. Management has indicated that total funds maintained in the safe can accumulate up to \$50,000.</p>	<p>The District should restrict the vault access to dual custody or assign the vault to selected employees and change the combination code. While loose cash is limited to amounts under \$500, bagged batches waiting deposit are maintained in the vault and still accessible to personnel. Currently, the safe is located in the office of the Admissions and Records Coordinator. The custody of the safe should be assigned to the Office Coordinator, as the Coordinator does not work from the cash drawer.</p>	Implemented.	
<p>6. Child Development Center Cash Receipts The Child Development bank reconciliations were not signed by the preparer or reviewer.</p>	<p>The District should implement procedures to ensure the preparer and reviewer are signing the reconciliations to indicate segregation of duties.</p>	Implemented.	
<p>7. Journal Entry Testing The District does not have formal policies and procedures in place for review of journal entries.</p>	<p>Journal entries meeting a certain threshold determined by the District should be reviewed by an independent employee.</p>	Not implemented.	See current year finding No. 4.
<p>8. Capitalization Policy The District does not have a Board approved capitalization policy for recording the purchase of fixed assets.</p>	<p>The District should establish a formal capitalization policy that is approved by the Board of Trustees.</p>	Implemented.	
<p>9. Prepaid Expenses The District incorrectly recorded a payable as a prepaid expense.</p>	<p>The District should recognize prepaid expenses only when cash is actually disbursed, representing an exchange of assets and ownership. Furthermore, we recommend that the District review journal entries for accuracy prior to processing.</p>	Implemented.	

MARIN COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)
June 30, 2006

Findings	Recommendations	Current Status	District Explanation if Not Fully Implemented
<p>10. Banked Units The Fiscal Service Office does not reconcile banked units accumulated and used by the District's faculty. A reconciliation of the amount of units paid to the District faculty and the amount of units accumulated during the year is not performed.</p>	<p>The District should implement procedures requiring a reconciliation of banked units accumulated and used by each faculty member. The reconciliation should include monitoring banked unit activity by the Human Resources Department and ensuring supporting documentation is maintained for accrued banked units.</p>	Implemented.	
<p>11. Information Technology Department Policies and Procedures The District has not developed or approved a formal disaster recovery plan related to the District's Information Systems Department operations. Further, the Information Technology Department is not notified when employees end employment with the District. User identification and password to access to the District's computers are not immediately removed for former employees.</p>	<p>The District should develop and approve a formal disaster recovery plan to ensure electronic information, including student records and fiscal documentation, can be recreated in the event of a computer systems failure. Human Resources should inform the Information Technology Department immediately upon an employee's departure from the District to restrict the former employee's access to the system.</p>	Not implemented.	See current year finding No. 7.