

**MARIN COMMUNITY COLLEGE DISTRICT**

**COUNTY OF MARIN**

**NOVATO, CALIFORNIA**

**FINANCIAL STATEMENTS**

**WITH SUPPLEMENTAL INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2008**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

MARIN COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 2008

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Statements of Net Assets	11
Discretely Presented Component Unit – College of Marin Foundation – Statement of Net Assets	12
Statements of Revenues, Expenses and Change in Net Assets	13
Discretely Presented Component Unit – College of Marin Foundation – Statement of Revenues, Expenses and Change in Net Assets	14
Statements of Cash Flows	15
Discretely Presented Component Unit – College of Marin Foundation – Statement of Cash Flows	16
Notes to Basic Financial Statements	17-33
Supplemental Information:	
Independent Auditor's Report on Supplemental Information	34
Organization	35
Schedule of Federal Financial Awards	36
Schedule of State Financial Awards	37
Schedule of Workload Measures for State General Apportionment	38
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements	39
Notes to Supplemental Information	40

MARIN COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 2008

TABLE OF CONTENTS  
(Continued)

	<u>Page</u>
Independent Auditor's Report on State Compliance Requirements	41-42
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>	43-44
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	45-46
Findings and Recommendations:	
Schedule of Audit Findings and Questioned Costs	47
Summary of Findings and Recommendations	48-49
Status of Prior Year Findings and Recommendations	50-51

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Marin Community College District  
Novato, California

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Marin Community College District as of and for the year ended June 30, 2008, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the net assets of the business-type activities and the discretely presented component unit of Marin Community College District as of June 30, 2008, and the results of its operations, changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2008 on our consideration of Marin Community College District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis (MD&A) on pages 3 through 10 is not a required part of the basic financial statements, but is supplemental information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**INDEPENDENT AUDITOR'S REPORT**

(Continued)

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

*Perry-Smith LLP*

Sacramento, California  
December 1, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2008

### Governmental Accounting Standards Board (GASB) Statements 34/35

Marin Community College District (the District) is now in its sixth year of complying with and preparing financial reports in accordance with GASB Statements No. 34/35, "*Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*," issued in November 1999. The following discussion and analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2008 and the intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial standing, this analysis should be read in conjunction with the entire Independent Auditor's Report, particularly the District's financial statements beginning on page 11, and the notes to the basic financial statements beginning on page 18.

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

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

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

### Financial Highlights

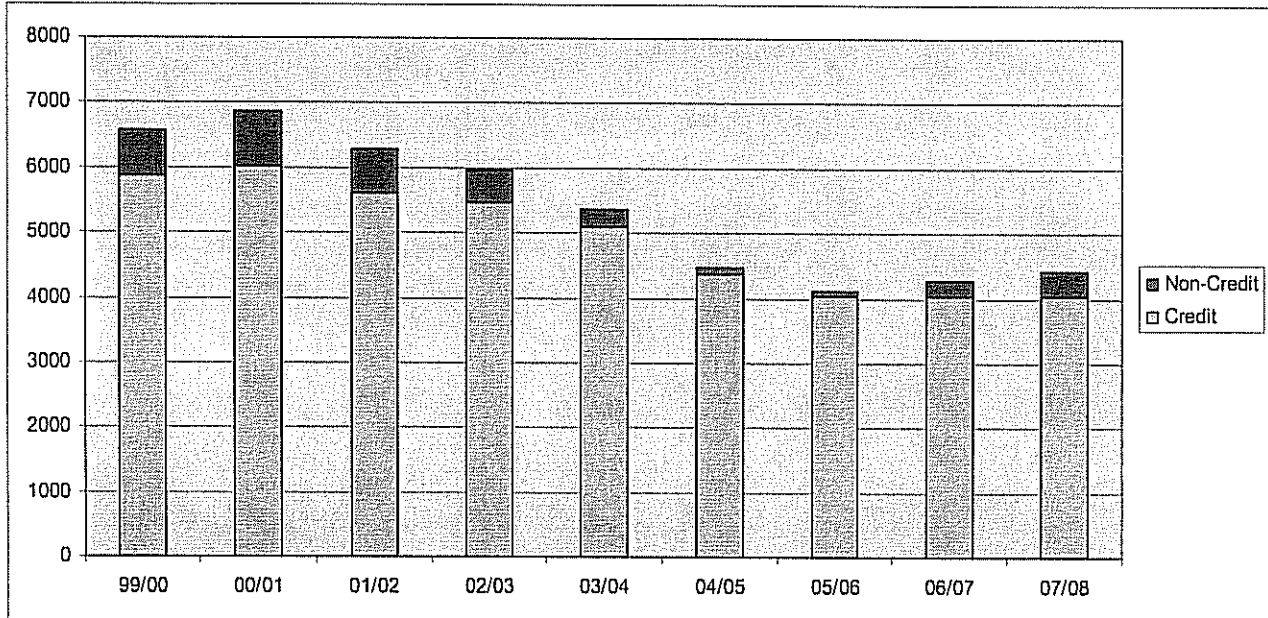
- Marin County property values and local housing sales continued to rise, moving the District further into "Basic Aid" as receipts of local property taxes and enrollment fees exceeded the State's computational revenues under SB 361 for 2007-08 by about \$13.1 million. SB 361, enacted as part of the 2006 Budget Act, implemented major reforms to improve the equity and transparency of the California Community Colleges (CCC) funding model. SB 361 further established a funding model that would provide growth funding for credit courses at a uniform rate across the CCC system, thereby ensuring that funding remained equalized in the future. The funding model starts with a college/district's base allocation but its primary basis for calculating the revenue limit remains the Full-Time Equivalent Students (FTES).
- Fiscal year 2007-08 ended significantly better than originally budgeted due to additional revenue collections and lower spending. Unrestricted revenues were about \$386,000 higher, principally from higher property taxes; expenditures were approximately \$767,000 lower than budgeted, resulting in revenues exceeding expenditures by \$1.2 million over budgeted amounts. Expenditure savings came from unfilled but budgeted positions and related benefits and unspent balances from various budgeted cost centers. The year ended with reserve levels at 10.5%

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)  
**Fiscal Year Ending June 30, 2008**

**Financial Highlights (Continued)**

- FTES totaled 4,446 representing a 3.6% increase over the prior fiscal year. For the past few years, the District instituted a comprehensive enrollment management program to improve student access, strengthen outreach, expand marketing efforts, and broaden class offerings.

**FTES Statistics**  
**1999/00 – 2007/08**



- Net costs for employee compensation rose about 6.2% compared to the prior year actual expenditures. Faculty salaries increased 7.2% resulting primarily from an arbitration settlement retroactive to fiscal year 2004-05. Classified salaries increased 5.9% from step increases and filling vacant positions. Administrators salaries declined 3.2% due to vacant positions. Benefits costs increased about 6.3%, primarily driven by increases in medical benefits.
- During Fiscal Year 2005-06, the District pre-funded \$1 million of its approximate \$7.4 million unfunded liability (second Actuarial Study updated February 2007) in an early application under Government Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, and transferred the monies into a separate fund. In fiscal year 2007-08, the District funded an additional \$500,000 of its unfunded liability. At the April 2007 meeting the District joined the Community College League of California's Joint Powers Authority, an independent third party GASB 45 compliant trust fund, and expects to transfer the above amounts plus accrued interest to the JPA during fiscal year 2008-09.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2008

### Financial Highlights (Continued)

- Major milestones achieved in the District's Capital Improvement and Modernization Program included:
  - Construction started on one major project (PE Building)
  - Two major projects were submitted to DSA for plan check. (Trans Tech and IVC Main Building)
  - Three projects are in the final stages of design prior to issue to DSA for Plan Check (Science Building , Fine Arts and Performing Arts)
  - Swing Space for PE was completed
  - Swing Space planning and implementation has begun for the Trans Tech, Science, Fine Arts and Dance.
  - Geothermal projects were started at both IVC and Kentfield campuses
  - Multiple infrastructure projects have been started and or finished at both campuses.
- The District provided Financial Aid to over 3,000 qualifying students this year translating to almost \$6.7 million in aid. This aid is provided through grants, loans, and work study from the Federal Government, the State Chancellor's Office and local funding.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Continued)

**Fiscal Year Ending June 30, 2008**

**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**

	2008	2007	% Change
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 12,859	\$ 13,125	(2.03)%
Other Current Assets	1,202	1,025	17.27 %
<b>Total Current Assets</b>	<u>14,061</u>	<u>14,150</u>	<u>(0.63)%</u>
<b>Non-Current Assets</b>			
Restricted Cash and Cash Equivalents	57,253	72,757	(21.31)%
Prepaid Expenses	466	489	(4.70)%
Capital Assets, Net of Depreciation	58,115	38,523	50.86 %
<b>Total Non-Current Assets</b>	<u>115,834</u>	<u>111,769</u>	<u>3.64 %</u>
<b>Total Assets</b>	<u>129,895</u>	<u>125,919</u>	<u>3.16 %</u>
<b>Current Liabilities</b>			
Accounts Payable and Accrued Liabilities	10,122	7,778	30.14 %
Deferred Revenues	2,565	2,158	18.86 %
Claims Liability	80	82	(2.44)%
Amounts Held in Trust	814	830	(1.93)%
Long-Term Liabilities – Current Portion	6,342	5,674	11.77 %
<b>Total Current Liabilities</b>	<u>19,923</u>	<u>16,522</u>	<u>20.58 %</u>
<b>Non-Current Liabilities</b>			
Long-Term Liabilities	64,085	70,410	(8.98)%
<b>Total Liabilities</b>	<u>84,008</u>	<u>86,932</u>	<u>(3.36)%</u>
<b>Net Assets</b>			
Invested in Capital Assets Restricted for Expendable Purposes	5,149	5,786	(11.01)%
Unrestricted	5,841	4,860	20.19 %
<b>Total Net Assets</b>	<u>\$ 45,887</u>	<u>\$ 38,987</u>	<u>17.70 %</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2008

### Statement of Net Assets (Continued)

- The \$112,000 net decrease in "Total Current Assets" is due to reductions in unrestricted cash and prepaid expenditures offset by an increase in general fund receivables.
- The net decrease in restricted cash of \$15.5 million relates primarily to the Measure C construction spending and repayment of long-term debt obligations offset by earnings from interest income and collection of property taxes for debt repayment.
- The net increase in capital assets of almost \$20 million represents additions to depreciable assets, net of actual depreciation of \$1,991,000 for 2007-08. Included in this category are the net values of buildings, land and equipment. The capitalization threshold was established at \$5,000 or higher (original acquisition cost).
- The \$2.3 million net increase in Accounts Payable and Accrued Liabilities principally relates to a \$2.3 million additional UPM Retiree Savings liability and an \$800,000 increase in trade payables offset by reductions in a Basic Skills grant liability and summer payrolls and benefits liabilities.
- Increases in the current portion of long-term liabilities relate to the debt of the underlying bond indenture; the reduction in long-term liabilities reflects payments made.
- Net assets, previously reported as "fund balance" under the old reporting model, includes the value of all capital assets (net of accumulated depreciation).
- Restricted and/or reserved amounts include reserve for encumbrances, special reserves, capital projects reserves, inventories and prepaid items. The decrease in "Restricted for expendable purposes", relate to various scheduled maintenance project expenditures and costs for the facilities master plan in the Capital Outlay Fund.
- "Unrestricted net assets" reflects the uncommitted balance for all funds.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)  
**Fiscal Year Ending June 30, 2008**

**Statement of Revenues, Expenses and Change in Net Assets**

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

**Operating Results**  
**For the Years Ended June 30, 2008 and 2007**  
(In Thousands)

	2008	2007	% Change
<b>Operating Revenues</b>			
Tuition and fees	\$ 3,815	\$ 3,952	(3.47)%
Grants and contracts	7,839	7,655	2.40 %
<b>Total Operating Revenues</b>	<b>11,654</b>	<b>11,607</b>	<b>0.40 %</b>
<b>Operating Expense</b>			
Salaries and benefits	44,011	41,437	6.21 %
Supplies and maintenance	9,656	9,333	3.46 %
Depreciation	1,991	945	110.69 %
<b>Total Operating Expenses</b>	<b>55,658</b>	<b>51,715</b>	<b>7.62 %</b>
<b>Loss from Operations</b>	<b>(44,004)</b>	<b>(40,108)</b>	<b>9.71 %</b>
<b>Nonoperating Revenues and (Expenses)</b>			
State apportionment	2,230	2,182	2.20 %
Property taxes	37,841	35,560	6.41 %
State revenues	653	1,566	(58.30)%
Investment income	2,855	3,916	(27.09)%
Interest expense on capital asset related debt	(3,154)	(3,337)	5.48 %
Other non-operating revenues	1,467	1,045	40.38 %
<b>Total Non-Operating Revenues</b>	<b>41,892</b>	<b>40,932</b>	<b>2.35 %</b>
<b>Other Revenues</b>			
State and local capital income	39	39	0.00 %
Property taxes	8,974	8,719	2.92 %
<b>Increase in Net Assets</b>	<b>\$ 6,901</b>	<b>\$ 9,582</b>	<b>(27.98)%</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2008

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

- Operating revenues, tuition and enrollment fees are basically flat.
- As reported in the statement of revenues, expenses and change in net assets on page 13 of this report, the cost of all the District's operational activities this year was \$55,658,000 an increase of approximately 7.6% compared to that of the prior year.
- Expenses for 2007-08 include depreciation of the District's plant and equipment of approximately \$1,991,000.
- Almost 80% of all operating funds were directed to salary and benefit costs, about the same as the previous year.
- In the Nonoperating Revenue and Expense areas, the decrease in "State revenue" resulted from 2006-07 mandated cost revenues and one-time funds from the Prop 98 Reversion and Trailer Bills that the District did not receive in 2007-08.
- Amount funded through our local taxpayers by means of property taxes was \$46.8 million, approximately 5.7% higher than the previous year. General Fund property tax revenues increased about \$2.3 million or 6.4% over the prior year, the ad valorem taxes collected in the bond redemption fund added almost another \$9.0 million.

### 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)

	2008	2007
Cash (used in) provided by:		
Operating activities	\$ (40,982)	\$ (36,750)
Non-capital financing activities	51,235	40,293
Capital and related financing activities	(28,877)	(12,762)
Investing activities	2,855	3,869
Net decrease in cash	(15,769)	(5,350)
Cash – beginning of fiscal year	85,881	91,231
Cash – end of fiscal year	\$ 70,112	\$ 85,881

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2008

### Statement of Cash Flows (Continued)

- 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. 2008 capital related financing activities relates to bond redemption.
- Cash flow is adequate for a small district; the District participates in Marin County Treasurer's Office investment pool to maximize interest earnings on excess cash.

### Factors That May Affect the Future

- For the remainder of 2008-09 the State is still in the midst of a fiscal crisis. The enacted State budget is based on many favorable assumptions and one-time solutions and fails to provide any meaningful long-term solutions to the structural imbalance. Many view the spending plan as simply pushing the problems into next year. There is concern that budget is likely to fall out of balance in 08/09 which would require mid-year cuts and/or tax cuts to bring it back into balance. Forecasts for 2009-10 anticipate another very challenging budget year and it is expected that the Department of Finance is preparing a range of budget tightening options for the Governor to consider in building the 2009-10 budget proposal.
- Following three years of enrollment fee increase, in 2008-09 the student enrollment fees, were reduced in 2006-07 from \$26/unit to \$20/unit, remained at \$20/unit which may further positively impact enrollment.
- Reserves were budgeted at 7.5% of General Fund Unrestricted expenditures in the 2008-09 Adoption Budget and the District will strive to align reserve levels in accordance with Board goals to increase reserve levels to 17%.

MARIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

**ASSETS**

Current assets:	
Cash and cash equivalents (Note 2)	\$ 12,859,303
Accounts receivable (Note 3)	1,146,261
Prepaid expenses	<u>56,045</u>
Total current assets	<u>14,061,609</u>
Noncurrent assets:	
Restricted cash and cash equivalents (Note 2)	57,253,126
Prepaid expenses	465,966
Capital assets, net (Note 4)	<u>58,114,671</u>
Total noncurrent assets	<u>115,833,763</u>
Total assets	<u>129,895,372</u>

**LIABILITIES**

Current liabilities:	
Accounts payable	10,121,634
Deferred revenue (Note 5)	2,564,834
Claims liability (Note 8)	80,284
Amounts held in trust (Note 2)	814,048
Compensated absences payable – current portion	55,592
Long-term debt - current portion (Note 6)	<u>6,286,047</u>
Total current liabilities	<u>19,922,439</u>
Noncurrent liabilities:	
Compensated absences payable – noncurrent portion	1,094,873
Premium on general obligation bonds (Note 6)	2,638,357
Long-term debt - noncurrent portion (Note 6)	<u>60,352,123</u>
Total noncurrent liabilities	<u>64,085,353</u>
Total liabilities	<u>84,007,792</u>

Commitments and contingencies (Note 11)

**NET ASSETS**

Invested in capital assets, net of related debt	34,896,826
Restricted for capital projects and debt service	5,149,346
Unrestricted	<u>5,841,408</u>
Total net assets	<u>\$ 45,887,580</u>

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

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

**STATEMENT OF NET ASSETS**

**June 30, 2008**

**ASSETS**

Cash and cash equivalents (Note 2)	\$ 603,407
Investments (Note 2)	2,742,931
Prepaid expenses	<u>1,633</u>
Total assets	<u>3,347,971</u>

**LIABILITIES**

Accounts payable and accrued liabilities	7,264
Grants payable	<u>59,737</u>
Total liabilities	<u>67,001</u>

**NET ASSETS**

Unrestricted	16,695
Temporarily restricted	440,251
Permanently restricted	<u>2,824,024</u>
Total net assets	<u>\$ 3,280,970</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, 2008**

Revenues:		
Operating revenues:		
Tuition and fees	\$	4,505,863
Less: Scholarship discounts and allowances		<u>(690,874)</u>
Net tuition and fees		3,814,989
Grants and contracts, noncapital:		
Federal		3,190,338
State		<u>4,648,820</u>
Total operating revenues		<u>11,654,147</u>
Expenses:		
Operating expenses (Note 13):		
Salaries and benefits (Notes 8, 9 and 10)		44,010,724
Supplies, materials and other operating expenses and services		9,624,784
Equipment, maintenance and repairs		31,208
Depreciation (Note 4)		<u>1,991,138</u>
Total operating expenses		<u>55,657,854</u>
Loss from operations		<u>(44,003,707)</u>
Non-operating revenues (expenses):		
State apportionment, non capital		2,229,920
Local property taxes (Note 7)		37,841,090
State taxes and other revenues		652,700
Investment income, non-capital		151,790
Investment income, capital		2,703,056
Interest expense on capital asset-related debt, net		(3,153,878)
Other non-operating revenues		<u>1,467,013</u>
Total non-operating revenues (expenses)		<u>41,891,691</u>
Loss before capital revenues		<u>(2,112,016)</u>
Capital revenues:		
Grants and gifts, capital		39,150
Property taxes		<u>8,973,619</u>
Total capital revenues		<u>9,012,769</u>
Increase in net assets		6,900,753
Net assets – beginning of year		<u>38,986,827</u>
Net assets – end of year		<u>\$ 45,887,580</u>

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

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS**

**For the Year Ended June 30, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:				
Contributions	\$ 91,406	\$ 412,224	\$ 299,123	\$ 802,753
Interest and dividend income	15,098		(110,402)	(95,304)
Other operating income	141,127	(8,121)	(120,601)	12,405
Net assets released from restrictions by payments	<u>385,151</u>	<u>(180,618)</u>	<u>(204,533)</u>	
Total revenues	<u>632,782</u>	<u>223,485</u>	<u>(136,413)</u>	<u>719,854</u>
Expenses:				
Grants and related activities	390,788			390,788
Salaries and benefits	95,961			95,961
Professional services	109,823			109,823
Other expenses	<u>22,161</u>			<u>22,161</u>
Total expenses	<u>618,733</u>			<u>618,733</u>
Increase (decrease) in net assets	14,049	223,485	(136,413)	101,121
Net assets, beginning of year	<u>2,646</u>	<u>216,766</u>	<u>2,960,437</u>	<u>3,179,849</u>
Net assets, end of year	<u>\$ 16,695</u>	<u>\$ 440,251</u>	<u>\$ 2,824,024</u>	<u>\$ 3,280,970</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, 2008

Cash flows from operating activities:	
Tuition and fees	\$ 4,008,367
Federal grants and contracts	3,351,845
State grants and contracts	4,312,222
Payments to employees	(40,572,199)
Payments to suppliers and vendors	(12,065,771)
Other payments	<u>(16,083)</u>
Net cash used in operating activities	<u>(40,981,619)</u>
Cash flows from noncapital financing activities:	
State appropriations	2,229,920
Local property taxes	46,806,496
State taxes and other revenues	690,481
Other non-operating revenues	<u>1,507,538</u>
Net cash provided by noncapital financing activities	<u>51,234,435</u>
Cash flows from capital and related financing activities:	
Local revenue for capital purposes	39,150
Purchase of capital assets	(20,040,185)
Principal paid on capital debt	(5,630,553)
Interest paid on capital debt, net	<u>(3,245,294)</u>
Net cash used in capital and related financing activities	<u>(28,876,882)</u>
Cash flows provided by investing activities:	
Interest income	<u>2,855,020</u>
Net decrease in cash and cash equivalents	(15,769,046)
Cash and cash equivalents, beginning of year	<u>85,881,475</u>
Cash and cash equivalents, end of year	<u>\$ 70,112,429</u>
Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (44,003,707)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	1,991,138
Changes in assets and liabilities:	
Receivables, net	(294,032)
Prepaid expenses	38,458
Accounts payable	891,175
Deferred revenue	312,319
Amounts held in trust	(16,083)
Compensated absences	<u>99,113</u>
Net cash used in operating activities	<u>\$ (40,981,619)</u>

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

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

**STATEMENT OF CASH FLOWS**

**For the Year Ended June 30, 2008**

Cash flows from operating activities:	
Increase in net assets	\$ 101,121
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Decrease in accounts receivable	72,023
Decrease in prepaid expenses	17
Increase in accounts payable and accrued liabilities	720
Increase in grants payable	<u>712</u>
Net cash provided by operating activities	<u>174,593</u>
Cash flows provided by investing activities:	
Decrease in investment securities	<u>110,392</u>
Net increase in cash and cash equivalents	284,985
Cash and cash equivalents, beginning of year	<u>318,422</u>
Cash and cash equivalents, end of year	<u><u>\$ 603,407</u></u>

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

**MARIN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

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

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

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

Basis of Presentation

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

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

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

Basis of Accounting

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

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

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

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

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

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

Fair Value of Investments

The District records its investment in Marin County Treasury at fair value. Changes in fair value are reported as revenue in the Statement of Revenues, Expenses and Change in Net Assets. The fair value of investments including the Marin County Treasury external investment pool at June 30, 2008 approximated their carrying value.

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

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

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

Accounts Receivable

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the District's capitalization policy included all items with a unit cost of \$5,000 or 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 net assets are classified as follows:

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

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

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

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

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

The Foundation's net assets are classified as follows:

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

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

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

MARIN COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2008 for dental and vision claims includes estimates of future claim payments for known cases as well as provisions for incurred but not reported claims and adverse development on known cases which occurred through that date. Outstanding claims which are expected to become due and payable within the subsequent fiscal year are reflected as an accounts and claims payable liability and the balance of the estimated liability is reflected as a current liability in the Internal Service Fund.

State Apportionments

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

Classification of Revenue

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

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

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

Scholarship Discounts and Allowances

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

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

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

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.

**2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

District cash and cash equivalents at June 30, 2008, consisted of the following:

Pooled Funds:	
Cash in County Treasury	\$ 67,333,779
Deposits:	
Cash on hand and in banks	1,425,287
Cash in revolving account	22,036
Cash held by Fiscal Agent	<u>1,331,327</u>
Total cash and cash equivalents	<u>70,112,429</u>
Less: restricted cash and cash equivalents:	
Cash in County Treasury	55,107,751
Cash held by Fiscal Agent	1,331,327
Cash held in trust	<u>814,048</u>
Total restricted cash and cash equivalents	<u>57,253,126</u>
Net cash and cash equivalents	<u>\$ 12,859,303</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, 2008.

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

**2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Foundation cash, cash equivalents and investments at June 30, 2008 consisted of the following:

Cash in banks:	
Unrestricted	\$ 22,362
Restricted by donors	<u>581,045</u>
Total cash and cash equivalents	<u>\$ 603,407</u>
Investment in mutual funds and debt instruments	<u>\$ 2,742,931</u>

Cash with Fiscal Agent

Cash with Fiscal Agent of \$1,331,327 is held by a trustee for the improvement of campus facilities.

Cash Held in Trust

Cash held in trust of \$814,048 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, 2008, the carrying amount of the District's cash on hand and in banks was \$1,447,323 and the bank balance was \$1,624,820. The bank balance amount insured by the FDIC was \$132,504.

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, 2008, the carrying amount of the Foundation's cash in banks was \$603,407 and the bank balance was \$655,047. The bank balance amount insured by the FDIC was \$100,000.

**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, 2008, 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, 2008, the District and Foundation had no concentration of credit risk.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2008 are summarized as follows:

Federal	\$ 201,099
State	252,596
Local and other	<u>692,566</u>
	<u>\$ 1,146,261</u>

MARIN COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2007	Additions	Disposals and Transfers	Balance June 30, 2008
Land	\$ 3,119,170			\$ 3,119,170
Land improvements	3,115,103	\$ 99,663		3,214,766
Building improvements	32,425,458	337,519	\$ 1,499	32,764,476
Machinery and equipment	4,032,251	2,175,896	2,881,036	9,089,183
Construction-in-progress	<u>17,333,091</u>	<u>18,969,422</u>	<u>(2,882,535)</u>	<u>33,419,978</u>
Total	<u>60,025,073</u>	<u>21,582,500</u>		<u>81,607,573</u>
Less accumulated depreciation:				
Land improvements	1,688,289	75,292		1,763,581
Building improvements	17,454,580	647,826		18,102,406
Machinery and equipment	<u>2,358,895</u>	<u>1,268,020</u>		<u>3,626,915</u>
Total	<u>21,501,764</u>	<u>1,991,138</u>		<u>23,492,902</u>
Capital assets, net	<u>\$ 38,523,309</u>	<u>\$ 19,591,362</u>	<u>\$ -</u>	<u>\$ 58,114,671</u>

5. DEFERRED REVENUE

Deferred revenue consists of the following at June 30, 2008:

Deferred federal and state revenue	\$ 1,033,148
Deferred tuition and student fees	759,855
Deferred local grant revenue and other	<u>771,831</u>
Total deferred revenue	<u>\$ 2,564,834</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 are amortized over the life of the bond repayment. At June 30, 2008, the District has unamortized premiums and issuance costs of \$2,638,357 and \$489,264, respectively.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	600,000	2,715,738	3,315,738
2013	860,000	2,673,821	3,533,821
2014-2018	6,705,000	12,503,319	19,208,319
2019-2023	13,280,000	9,961,646	23,241,646
2024-2028	22,535,000	5,470,953	28,005,953
2029-2030	<u>12,415,000</u>	<u>340,852</u>	<u>12,755,852</u>
	<u>\$ 63,315,000</u>	<u>\$ 41,960,917</u>	<u>\$ 105,275,917</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>
2009	\$ 35,000	\$ 38,201	\$ 73,201
2010	40,000	37,326	77,326
2011	45,000	36,226	81,226
2012	55,000	34,876	89,876
2013	60,000	33,158	93,158
2014-2018	420,000	128,374	548,374
2019-2023	721,937	607,069	1,329,006
2024-2028	834,304	1,784,870	2,619,174
2029-2033	<u>764,593</u>	<u>2,315,840</u>	<u>3,080,433</u>
	<u>\$ 2,975,834</u>	<u>\$ 5,015,940</u>	<u>\$ 7,991,774</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>
2009	\$ 109,977
2010	109,977
2011	<u>109,977</u>
	<u>\$ 329,931</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>
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>\$ 17,405</u>	<u>\$ 2,032</u>	<u>\$ 19,437</u>

Total Long-Term Debt

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	655,000	2,750,614	3,405,614
2013	920,000	2,706,979	3,626,979
2014-2018	7,125,000	12,631,693	19,756,693
2019-2023	14,001,937	10,568,715	24,570,652
2024-2028	23,369,304	7,255,823	30,625,127
2029-2033	<u>13,179,593</u>	<u>2,656,692</u>	<u>15,836,285</u>
	<u>\$ 66,638,170</u>	<u>\$ 46,978,889</u>	<u>\$ 113,617,059</u>

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

**6. LONG-TERM DEBT (Continued)**

Total Long-Term Debt (Continued)

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, 2007	\$68,800,000	\$ 3,005,834	\$ 439,908	\$ 22,982	\$72,268,724
Principal payments	<u>5,485,000</u>	<u>30,000</u>	<u>109,977</u>	<u>5,577</u>	<u>5,630,554</u>
Balance, June 30, 2008	<u>\$63,315,000</u>	<u>\$ 2,975,834</u>	<u>\$ 329,931</u>	<u>\$ 17,405</u>	<u>\$66,638,170</u>

**7. PROPERTY TAXES**

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

**8. RISK MANAGEMENT**

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

The dental and vision claims reserve activity for the years ended June 30, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Liability balance, beginning of year	\$ 81,932	\$ 75,428
Claims and changes in estimates	641,133	611,776
Claims payments	<u>(642,781)</u>	<u>(605,272)</u>
Liability balance, end of year	<u>\$ 80,284</u>	<u>\$ 81,932</u>

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

**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.

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

Funding Policy

Active members of the DB Plan are required to contribute 8% of their salary while the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-08 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, 2008, 2007, and 2006 were \$1,417,750, \$1,438,974 and \$1,310,553, 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, 2005, the independent actuaries for STRS determined that, at June 30, 2005, the actuarial value of the DB program's actuarial accrued liabilities exceeded the program's actuarial value of assets by \$20.3 billion. Based on this valuation, the current statutory contributions are sufficient to fund normal cost and amortize the actuarial unfunded obligation of \$20.3 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, 2005, the independent actuaries for STRS determined that, at June 30, 2005, the actuarial value of the CB program's actuarial accrued assets exceeded the program's actuarial value of liabilities by \$2.1 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 Description

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

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

**9. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

Funding Policy

The District pays the active plan members required contribution of 7% of their salary, and the District also contributes an actuarially determined rate. The District's contribution rate to CalPERS for fiscal year 2002-03 was 2.894% beginning with the first pay period ending in July 2002; CalPERS then lowered the rate to 2.771% beginning with the first pay period ending in February 2003. On May 16, 2003, CalPERS approved a school employer contribution rate of 10.42% beginning with the first pay period that ends in July 2003. The required employer contribution rate for fiscal year 2007-2008 was 9.306% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2008, 2007 and 2006 were \$957,143, \$843,411 and \$881,547, 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, 83 employees meet those eligibility requirements. For the year ended June 30, 2008, expenditures of approximately \$850,700 were recognized for post-retirement health care benefits. The approximate liability based on current costs for current retirees of the District at June 30, 2008 amounts to \$4,516,100.

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

**11. COMMITMENTS AND CONTINGENCIES**

Contingent Liabilities

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

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

Construction Commitments

As of June 30, 2008, the District has approximately \$11.8 million in outstanding commitments on construction contracts.

**12. JOINT POWERS AGREEMENTS**

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

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

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

**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, 2007 <u>NCCCSIA</u>	June 30, 2008 <u>SELF</u>	June 30, 2007 <u>MSIA</u>	June 30, 2007 <u>SWACC</u>
Total assets	\$ 11,831,773	\$ 238,680,000	\$ 16,246,257	\$ 35,927,403
Total liabilities	\$ 5,384,454	\$ 189,962,000	\$ 12,537,571	\$ 18,039,163
Net assets	\$ 6,447,319	\$ 48,718,000	\$ 3,708,686	\$ 17,888,240
Total revenues	\$ 7,751,864	\$ 41,599,000	\$ 12,581,931	\$ 9,834,727
Total expenses	\$ 7,599,856	\$ 22,991,000	\$ 9,192,597	\$ 4,110,902
Change in net assets	\$ 152,008	\$ 18,608,000	\$ 3,389,334	\$ 5,723,825

**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, 2008.

<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	\$19,242,226	\$ 373,040	\$ 257		\$19,615,523
Academic Support	3,971,464	311,581	377		4,283,422
Student Services	4,541,576	460,671	173		5,002,420
Operating and Maintenance of Plant	1,745,991	1,663,939	303		3,410,233
Institution Support	12,044,636	2,616,796	30,041		14,691,473
Community Support	1,853,534	874,544	13		2,728,091
Ancillary Services	611,297	120,384	44		731,725
Student Aid		3,154,257			3,154,257
Physical Property Depreciation		49,572		\$ 1,991,138	1,991,138
Totals	<u>\$44,010,724</u>	<u>\$ 9,624,784</u>	<u>\$ 31,208</u>	<u>\$ 1,991,138</u>	<u>\$55,657,854</u>

**14. SUBSEQUENT EVENTS**

On July 1, 2008, the District issued \$9,835,000 of Tax and Revenue Anticipation Notes (TRANS) maturing on June 30, 2009, with interest at 3.5% 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, 2009.

## **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, 2008, and have issued our report thereon dated December 1, 2008. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

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

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

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

*Perry-Smith LLP*

December 1, 2008

**MARIN COMMUNITY COLLEGE DISTRICT**

**ORGANIZATION**

**June 30, 2008**

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, 2008 were composed of the following members:

**BOARD OF TRUSTEES**

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Carole Hayashino	President	2010
Phil Kranenburg	Vice President	2010
Eva Long, Ph.D.	Clerk	2010
Barbara Dolan	Trustee	2009
Aman Paterson	Trustee	2009
James Namnath	Trustee	2009
Wanden Treanor	Trustee	2009
Todd McCleary	Student Trustee	2009

**DISTRICT ADMINISTRATION**

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

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

**MARIN COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FEDERAL FINANCIAL AWARDS**

**For the Year Ended June 30, 2008**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Student Financial Aid Cluster:			
Federal College Work Study	84.003		\$ 223,270
Pell Grants	84.063		2,552,127
Federal Supplemental Educational Opportunity Grant	84.007		162,750
Vocation and Applied Technology Education Act	84.048		178,993
Independent Living	84.169		8,947
Academic Competitiveness Grant	84.375		<u>2,700</u>
Total U.S. Department of Education			<u>3,128,787</u>
<u>U.S. Department of Health and Human Services</u>			
Temporary Assistance for Needy Families (TANF)			
Child Development Training Consortium	93.558		10,617
Foster Care Education	93.575		14,046
	93.658		<u>36,656</u>
Total U.S. Department of Health and Human Services			<u>61,319</u>
<u>U.S. Department of Veterans Affairs</u>			
Veterans Administration	64.115		<u>232</u>
Total federal categorical awards and allowances			<u>\$ 3,190,338</u>

See accompanying notes to  
supplemental information.

**MARIN COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF STATE FINANCIAL AWARDS**

For the Year Ended June 30, 2008

	Program Entitlements			Program Revenues			Program Expenditures
	Current Year	Prior Year Carryover	Total	Cash Received	Accounts Receivable	Revenue/Accounts Payable	
Extended Opportunity Programs and Services	\$ 604,138	\$ 697	\$ 604,835	\$ 604,835		\$ 11,106	\$ 593,729
Cooperative Agencies Resources for Education	68,637		68,637	68,637			68,637
Disabled Student Programs & Services	1,432,774	23,929	1,456,703	1,456,703		3,282	1,453,421
TANF	13,411		13,411	13,411		2,793	10,618
Cal Works	167,777	3,169	170,946	170,946			170,946
Nursing - Career Technology Ed.	71,574		71,574	71,574		37,459	34,115
Proposition 20, Lottery-Instructional Supplies	107,652	137,032	244,684	107,652	\$ 73,713	162,912	18,453
Matriculation - Credit	380,323	32,334	412,657	412,657		756	411,901
Matriculation - Non-credit	158,147		158,147	158,147			158,147
Administrative 2% Enrollment Fee Waivers	15,044		15,044	15,044			15,044
California Highway Patrol-Racial Profiling		129	129	129			129
Faculty/Staff Diversity	10,087	18,669	28,756			11,325	
Faculty/Staff Development		11,325	11,325	11,325		136,501	10,846
Nursing Capacity	147,347	131,603	278,950	147,347		536	36
Peace Officers Training		572	572	572			
OTF - Transfers & Articulation	5,000	333	5,333	5,000	333	2,199	3,134
Telecommunications Tech. Infrastructure	45,183	69,630	114,813	114,813		18,867	95,946
Instructional Equipment & Library Materials	100,000	38,198	138,198	138,198		40,007	98,191
OTF - Instructional Equipment & Library Materials		141,142	141,142	141,142		141,142	
BAFP Administrative	186,645		186,645	186,645			186,645
Cal Grants	268,931		268,931	268,511	420	100,000	268,931
Scheduled Maintenance & Repair	100,000	100,000	200,000	100,000		101,117	34,581
OTF - Scheduled Maintenance & Repair	75,000	60,698	135,698	135,698			
Basic Skills	100,000	119,442	219,442				
Career Exploration	75,000		75,000	75,000		2,635	77,635
Foster Care Education	27,653		27,653		27,653		27,653
Hazardous Substance		34,238	34,238	34,238		34,238	
Child Care Food Program - Preschool	1,175		1,175	1,048	127		1,175
OTF - Child Development Bailout Funds	154,804		154,804	154,804			154,804
Child Development Contract Funds	211,072		211,072	211,072		15,338	195,734
Child Development Instructional Materials Fund	731		731	731			731
CCAP6211 Infant Toddler Grant	2,097		2,097	654	130		784
<b>Total State Programs</b>	<b>\$ 4,530,202</b>	<b>\$ 923,140</b>	<b>\$ 5,453,342</b>	<b>\$ 4,806,533</b>	<b>\$ 105,011</b>	<b>\$ 819,578</b>	<b>\$ 4,091,966</b>

See accompanying notes to supplemental information.

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

Annualized Attendance as of June 30, 2008

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession			
1. Noncredit	-		-
2. Credit	-		-
B. Summer Intersession			
1. Noncredit	38		38
2. Credit	311		311
C. Primary Terms			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	3,074		3,074
b. Daily Census Contact Hours	310		310
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	352		352
b. Credit	250		250
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	111		111
b. Daily Census Contact Hours	-		-
c. Noncredit Independent Study/Distance Education Courses	-		-
D. Total FTES	<u>4,446</u>	<u>-</u>	<u>4,446</u>
Supplemental Information:			
E. In-Service Training Courses (FTES)	-		-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	314		314
b. Credit	262		262

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, 2008**

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, 2008, and have issued our report thereon dated December 1, 2008.

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

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

General Directives

Management Information System Implementation – State General Apportionment  
Required Data Elements

Administration

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

Student Services

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

Facilities

Scheduled Maintenance Program

**INDEPENDENT AUDITOR'S REPORT**  
**ON STATE COMPLIANCE REQUIREMENTS**  
(Continued)

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

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

In our opinion, the Marin Community College District complied, in all material respects with the aforementioned requirements for the year ended June 30, 2008.

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

*Perry-Smith LLP*

Sacramento, California  
December 1, 2008

**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**

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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, 2008 and have issued our report thereon dated December 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

(Continued)

Compliance and Other Matters

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

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

*Perry-Smith LLP*

Sacramento, California  
December 1, 2008

**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, 2008. Marin Community College District's major federal programs are identified in the accompanying schedule of Federal financial assistance. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Marin Community College District's management. Our responsibility is to express an opinion on Marin Community College District's compliance based on our audit.

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

In our opinion, Marin Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

**Internal Control Over Compliance**

The management of Marin Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Marin Community College District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marin Community College District's internal control over compliance.

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

(Continued)

Internal Control Over Compliance (Continued)

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

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

*Perry-Smith LLP*

Sacramento, California  
December 1, 2008

## **FINDINGS AND RECOMMENDATIONS**

**MARIN COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**

June 30, 2008

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unqualified

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

Noncompliance material to financial statements  
 noted? \_\_\_\_\_ Yes     X  No

**FEDERAL AWARDS**

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee?  X  Yes    \_\_\_\_\_ No

**STATE AWARDS**

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

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

**MARIN COMMUNITY COLLEGE DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**

**June 30, 2008**

**INTERNAL CONTROLS**

**1. CAPITAL ASSETS**

Criteria

Best practices for internal control and safeguarding of assets.

Condition

The District does not have established procedures to routinely verify the existence of capital assets purchased.

Effect

Capital assets may be misappropriated.

Cause

The District does not have procedures established to monitor and physically verify the existence of capital assets.

Fiscal Impact

Not applicable.

Recommendation

The District should develop procedures to routinely monitor and substantiate the existence of reported capital assets. The District should schedule routine periods in which different segments and locations of the District's capital assets are reviewed for existence.

Corrective Action Plan

Over 90% of the capitalized assets are buildings and land improvements which are unlikely to be misappropriated. The District has a policy for inventory of assets to be performed on a periodic basis. During fiscal year 2007, the District outsourced the physical inventory of all capital assets. The District will develop procedures and a schedule to monitor and substantiate capital assets in various locations.

**MARIN COMMUNITY COLLEGE DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**June 30, 2008**

**INTERNAL CONTROLS (Continued)**

**2. PAYROLL**

Criteria

Best practices for internal control and safeguarding of assets.

Condition

Employee information input into the payroll system, based on reports received from Human Resources, is not reviewed by an individual independent of the system input.

Effect

Employee payroll records could be input at incorrect payroll amounts.

Cause

The District relied on the review performed at the County Office to identify any necessary corrections.

Fiscal Impact

Not applicable.

Recommendation

Data input by the payroll department should be reviewed by an employee independent of the input to ensure accuracy.

Corrective Action Plan

For fiscal year 2008, the offsetting control has been that the Information Technology department prints an exception report identifying all employees paid by the Payroll department (PR) who were not entered in the Human Resources (HR) employee master file, and sends it directly to HR for investigation and/or correction. The Banner system implemented for fiscal year 2009 will require that HR enter the employee and salary information thus eliminating this issue. With Banner, PR will not have the ability to enter employee or salary information.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

MARIN COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

June 30, 2008

Findings	Recommendations	Current Status	District Explanation if Not Fully Implemented
<p><b>1. State Compliance – Apportionment – Students Actively Enrolled</b>                      One student tested for census reporting was inadvertently excluded from the supporting schedules used to complete the District's attendance report.</p>	<p>The District should closely monitor and review students who drop classes to ensure they are reported correctly within the attendance system.</p>	Implemented.	
<p><b>2. State Compliance – Apportionment – Students Actively Enrolled</b>                      There were two errors on the CCFS-320 P2 attendance report:</p> <ul style="list-style-type: none"> <li>• Attendance contact hours for non-residents for weekly census classes were overstated by 263.50 hours.</li> <li>• Attendance contact hours for daily census classes for resident and non-resident classes were incorrectly input on Part III, Section C5 and C6 causing a total understatement of 98,151.75 hours.</li> </ul>	<p>The District should review procedures related to the preparation and review of the attendance report to ensure the report is prepared accurately.</p>	Implemented.	
<p><b>3. Internal Controls – Payroll</b>                      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 Findings and Recommendations.
<p><b>4. Internal Controls – Bank Reconciliations</b>                      The Cash in County reconciliations are not being signed or initialed by either the preparer or the reviewer of the reconciliation.</p>	<p>The District should develop procedures to note when electronic review has occurred either through an electronic signature or other manual log.</p>	Implemented.	

MARIN COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

June 30, 2008

Findings	Recommendations	Current Status	District Explanation if Not Fully Implemented
<p><b>5. Internal Controls - Information Technology Department Policies and Procedures</b> The District has not developed or approved a formal disaster recovery plan related to the District's Information Technology Department operations.</p>	<p>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.</p>	<p>Implemented.</p>	

