

**YOSEMITE COMMUNITY
COLLEGE DISTRICT**

Modesto, California

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION WITH
INDEPENDENT AUDITORS' REPORTS**

June 30, 2008

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Yosemite Community College District
Modesto, California

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of Yosemite Community College District (the District) as of and for the year ended June 30, 2008, which collectively 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 opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component units of the District as of June 30, 2008, and the respective changes in financial position and cash flows thereof 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 November 25, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis on pages 5 through 14 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted 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 AUDITORS' REPORT

Continued

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

Matson and Isom

November 25, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

ACCOUNTING STANDARDS

In June 1999, the Governmental Accounting Standard's Board (GASB) released Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, 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 to public colleges and universities. Yosemite Community College District (the District) adopted these new standards in the 2002-03 fiscal year.

The California Community College Chancellor's Office recommended that all state community college districts follow the new standards under the Business Type Activity (BTA) model. The District has adopted the BTA reporting model for these financial statements to comply with the recommendation of the Chancellor's Office and to report in a manner consistent and comparable with other community college districts.

The following management's discussion and analysis (MD&A) provides an overview of the District's financial activities.

MAJOR ADJUSTMENTS NOTED

As required by the accounting principles, the annual report consists of three basic financial statements that provide information on the District as a whole: the statement of net assets; the statement of revenues, expenses and changes in net assets; and the statement of cash flows. The information provided on the statements in the MD&A includes all funds, including general obligation bond funds and the student associations, but excludes the Modesto Junior College Foundation, Columbia College Foundation, and the Great Valley Museum. Each statement will be discussed separately. Separately issued financial statements for Modesto Junior College Foundation, Columbia College Foundation, and the Great Valley Museum can be obtained from the respective organizations.

Under the BTA model of financial reporting, a single entity-wide statement is required to report financial activity for all funds of the District. As this is a variance from the previous fund-type presentation, the following information is provided to help with the understanding of the financial statements.

FINANCIAL AND ATTENDANCE HIGHLIGHTS

The 2007-08 Budget Act included a 4.53% cost-of-living adjustment (COLA). A portion of these new funds were allocated to the colleges and Central Services to cover the cost of negotiated salary and benefit agreements and fringe benefit increases for retirees. Total compensation was increased by 4.53% for faculty, classified staff, and management.

The District's full-time equivalent student (FTES) enrollment increased from 2006-07 to 2007-08 by 1.80% (see bar chart on next page).

In November 2004, voters in the District approved Measure E, the \$326 million general obligation bond for the repair, upgrade, and new construction of Modesto Junior College and Columbia College facilities and the expansion of college education centers in Patterson, Oakdale, Turlock, and Angels Camp. The first of four issues was received in May 2005; the second was received in April 2008.

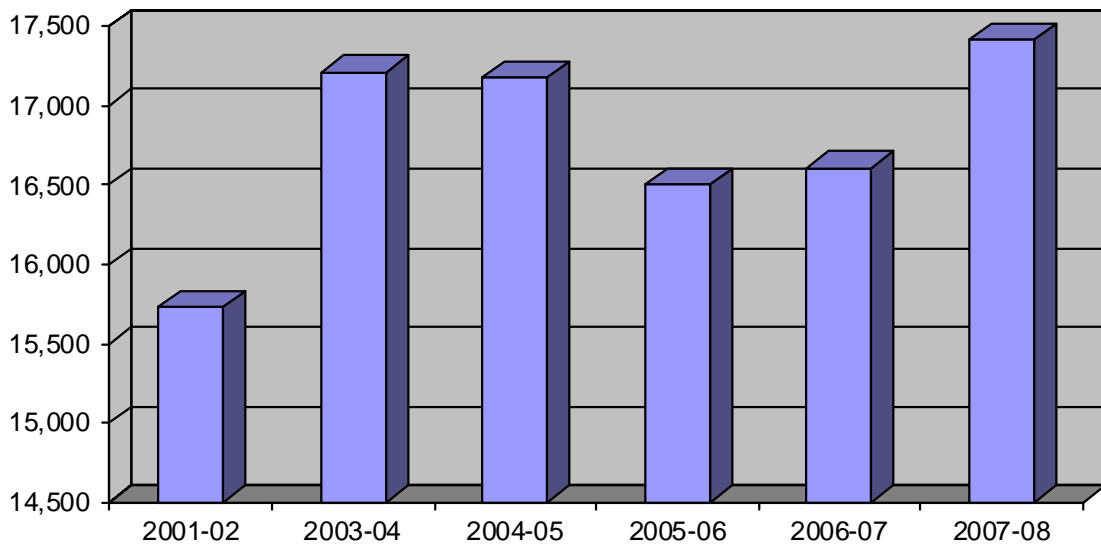
The Measure E Program Management Plan was board-approved in February 2006. The program, which was originally planned as a four-phase, twelve-year effort, has been reduced to a three-phase, nine-year plan. This significantly reduces the impacts of inflation.

Phase 1 of the Measure E Bond Program for Columbia College includes a significant portion of the total work planned for the campus, including quick start projects, the Child Development Center, the Science Natural Resources Center, an addition to the Public Safety Building, and a modernization and expansion of the Madrone Building.

For Modesto Junior College, it includes major capital improvement projects on both the east and west campus. These include the Allied Health building, the agricultural complex, the student services building, the new parking structure, and the new softball field complex.

The District Board approved revised Measure E budgets for both Modesto Junior College and Columbia College in the Spring of 2007.

Annual FTES
Credit/Non-Credit Resident Students
(Reported for State Funding)



STATEMENTS OF NET ASSETS

The statements of net assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector organizations. Net assets, the difference between assets and liabilities, are an indicator of the financial health of a District.

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**
June 30, 2008

Yosemite Community College District

	<u>2008</u>	<u>2007</u>	<u>Change</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 19,053,822	\$ 28,448,355	-33%
Receivables	10,826,924	15,616,405	-31%
Inventory, prepaid, and other assets	1,640,703	1,502,890	9%
Total Current Assets	<u>31,521,449</u>	<u>45,567,650</u>	-31%
NONCURRENT ASSETS			
Restricted cash and cash equivalents	242,207,181	95,086,359	155%
Long-term investments	3,652,551	3,260,203	12%
Loans to students	130,994	134,006	-2%
Deferred charges	4,549,872	1,337,165	240%
Capital assets - net	112,188,834	89,339,713	26%
Total Noncurrent Assets	<u>362,729,432</u>	<u>189,157,446</u>	92%
Total Assets	<u>\$ 394,250,881</u>	<u>\$ 234,725,096</u>	68%
LIABILITIES AND NET ASSESTS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 7,417,919	\$ 8,742,855	-15%
Deferred revenue	11,143,090	15,765,907	-29%
Other current liabilities	9,354,893	8,072,313	16%
Total Current Liabilities	<u>27,915,902</u>	<u>32,581,075</u>	-14%
NONCURRENT LIABILITIES			
Long-term liabilities - noncurrent portion	240,110,773	90,855,059	164%
Total Liabilities	<u>268,026,675</u>	<u>123,436,134</u>	117%
NET ASSETS			
Invested in capital assets - net of related debt	108,515,461	69,283,089	57%
Restricted	8,012,273	8,958,345	-11%
Unrestricted:			
Reserve for noncash assets	1,640,703	1,502,890	9%
Contractual obligations	1,416,345	579,057	145%
General reserve	4,500,000	4,500,000	0%
Contingency reserve and other designations	2,139,424	26,465,581	-92%
Total Unrestricted	<u>9,696,472</u>	<u>33,047,528</u>	-71%
Total Net Assets	<u>126,224,206</u>	<u>111,288,962</u>	13%
Total Liabilities and Net Assets	<u>\$ 394,250,881</u>	<u>\$ 234,725,096</u>	68%

**MANAGEMENT'S DISCUSSION
AND ANALYSIS
June 30, 2008**

Yosemite Community College District

Current cash and cash equivalents consist mainly of cash in the county treasury.

Receivables include receivables from state and federal grants as well as general apportionment earned but not received by year end.

Restricted cash and cash equivalents consist of amounts relating to the Capital Outlay Projects Fund and the General Obligations Bond Fund.

Long-term investments consist mainly of certificates of deposits and equity securities for the scholarship and loan programs.

Loans to students consist of notes receivable due from students under the Federal Nursing Loan program.

Net capital assets are the historical value of land, buildings, and equipment less accumulated depreciation. A total of \$25 million was added to net capital assets as a result of construction in progress in the Capital Outlay Projects and General Obligation Bond Funds. The footnotes to the financial statements contain a breakdown of the net capital assets.

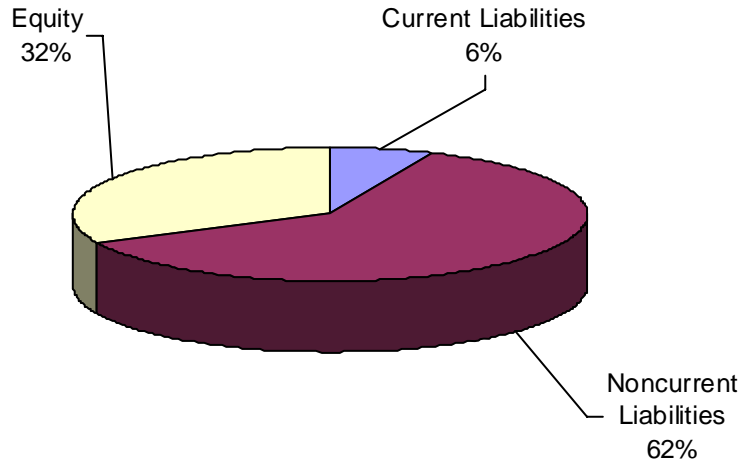
Accounts payable and accrued liabilities consist mainly of accrued payroll and payables due to vendors.

Deferred revenue relates to federal, state, and local program funds received but not yet earned as of the end of the fiscal year. Most grant funds are earned when expended (up to the grant amount awarded). Also included are deferred enrollment fees for the 2008-09 fiscal year.

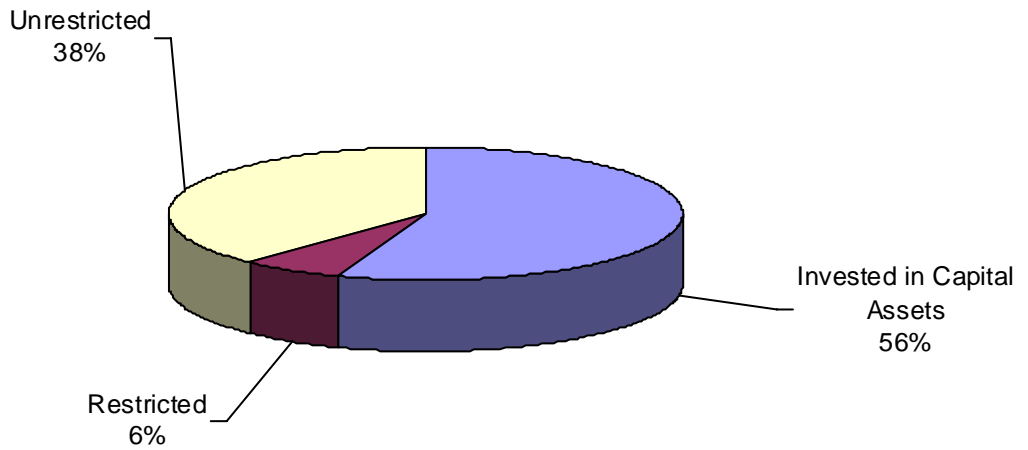
Other current liabilities include the amounts held in trust for others. Long-term liabilities (noncurrent portion) are long-term debt to be paid in one year or later. Compensated absences payable of \$2,906,906, and the general obligation bonds of \$234,085,000 are the major components of the noncurrent portion.

The 2007-08 general reserve is 5% of the General Unrestricted Fund per Chancellor's Office requirements and local Board of Trustees direction. Restricted net assets consist primarily of net assets held in the Capital Outlay Projects Fund for scheduled maintenance and special repairs and in the Internal Service Fund for self-insurance and retiree health liabilities.

Total Liabilities and Net Assets



Net Assets



STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The statements of revenues, expenses and changes in net assets present the operating finances of the District, as well as the nonoperating revenues and expenses. State general apportionment funds, while budgeted for operations, are considered nonoperating revenues according to generally accepted accounting principles.

	2008	2007	Change
REVENUES			
Operating revenues:			
Net tuition and fees	\$ 7,601,398	\$ 8,086,862	-6%
Grants, contracts, and other designated revenues - noncapital	20,822,666	19,692,611	6%
Auxiliary enterprise - net	8,029,111	7,662,800	5%
Other operating income (payments)	2,875,562	2,852,377	1%
Total Operating Revenue	39,328,737	38,294,650	3%
Total Operating Expenses	123,701,627	117,472,517	5%
Operating Income (Loss)	(84,372,890)	(79,177,867)	7%
Nonoperating revenues (expenses):			
State apportionments - noncapital	43,911,972	42,959,243	2%
Local property taxes	34,965,995	32,794,028	7%
Lottery and other revenue	2,712,643	3,423,641	-21%
Investment income	3,600,176	1,479,950	143%
Other nonoperating revenues (expenses) - net	680,236	671,163	1%
Total Nonoperating Revenues (Expenses)	85,871,022	81,328,025	6%
Income before other revenues, expenses, gains, or losses	1,498,132	2,150,158	-30%
Apportionment and property taxes - capital	11,929,378	21,513,427	-45%
Investment income - capital	5,000,134	3,882,319	29%
Interest expense - capital	(3,582,906)	(3,851,628)	7%
Grants and gifts - capital	90,506	120,000	-100%
Increase in Net Assets	14,935,244	23,814,276	-37%
Net Assets - Beginning of Year	111,288,962	89,311,605	25%
Prior-Period Adjustment	-	(1,836,919)	100%
Net Assets - As Restated	111,288,962	87,474,686	27%
Net Assets - End of Year	\$ 126,224,206	\$ 111,288,962	13%

OPERATING REVENUES

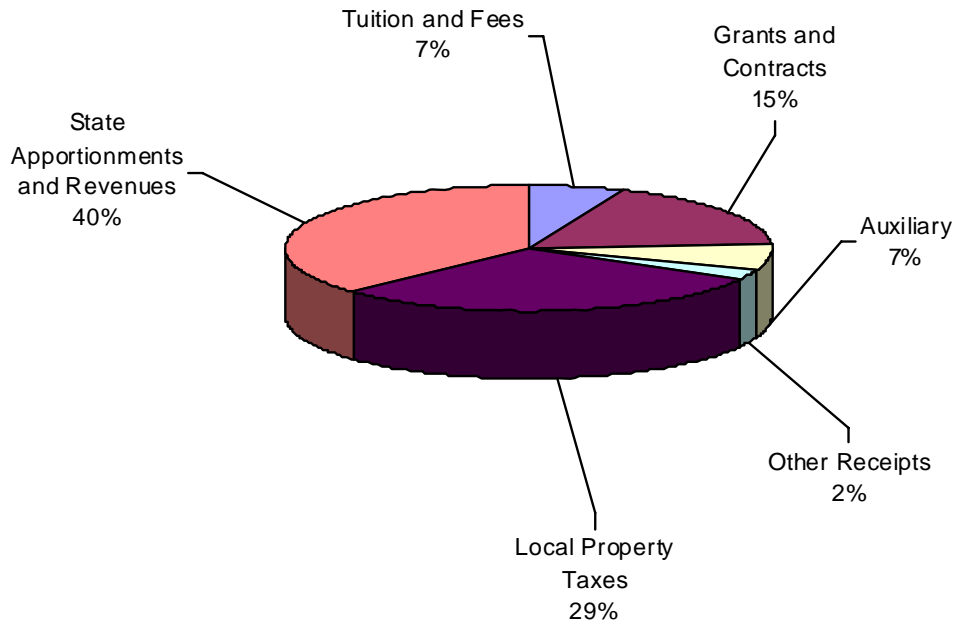
Net tuition and fees consist of enrollment fees of \$3,976,940; nonresident tuition, noncapital portion of \$457,189; and all other fees of \$2,752,164. Regular enrollment fees are set by the state for all community colleges and were \$20 per unit. Regular enrollment fees are included in the calculation of general apportionment. Auxiliary enterprise, net, is primarily bookstore sales less allowances.

Other operating income consists primarily of rentals of District facilities and noninstructional fees.

State apportionment represents total general apportionment earned less regular enrollment fees and property taxes.

Lottery and other revenues consist primarily of unrestricted state lottery revenue of \$1,872,377.

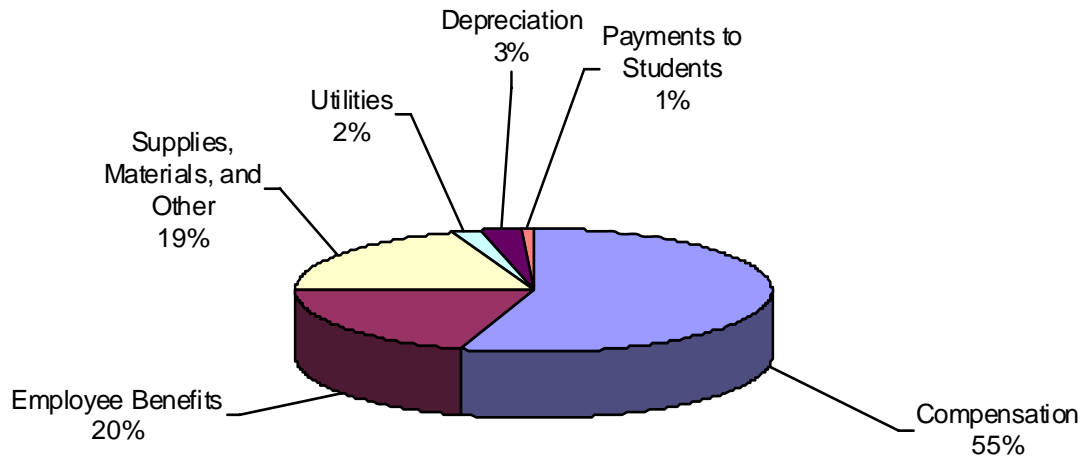
Revenues



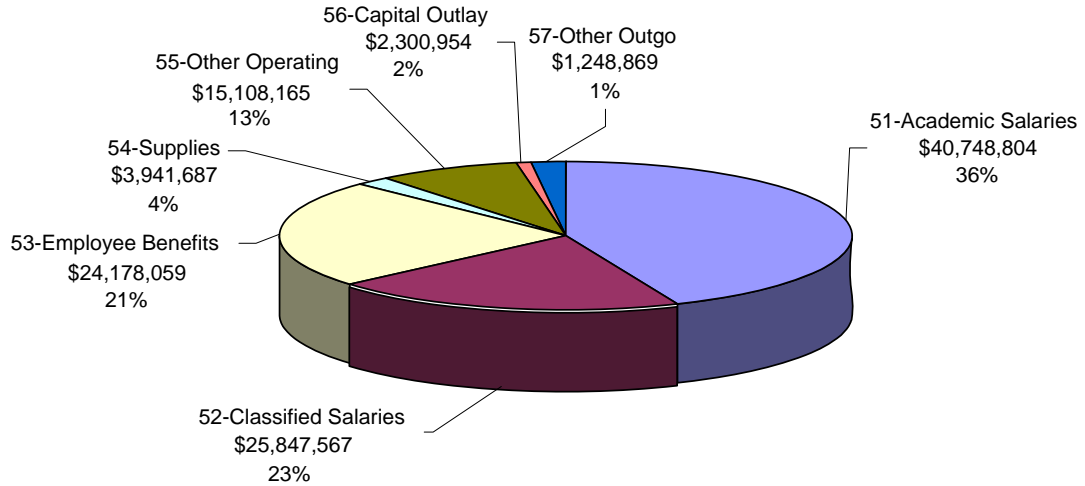
OPERATING EXPENSES (BY NATURAL CLASSIFICATION – ALL FUNDS)

	2008	2007	Change
Compensation	\$ 68,065,395	\$ 64,315,710	6%
Employee benefits	24,716,938	23,640,548	5%
Supplies, materials, other operating expenses, and services	24,012,401	22,825,016	5%
Utilities	2,442,113	2,301,324	6%
Depreciation	3,368,017	3,345,622	1%
Payments to students	1,096,763	1,044,297	5%
Total Operating Expenses	\$ 123,701,627	\$ 117,472,517	5%

Operating Expenses



**OPERATING EXPENSES
(BY MAJOR OBJECT CODE GENERAL FUND)**



Total = \$113,374,105

STATEMENTS OF CASH FLOWS

The statements of cash flows provide information about cash receipts and cash payments during the fiscal year. These statements also help users assess the District's ability to generate net cash flows, its ability to meet its obligations as they come due, and the need for external financing.

	2008	2007
Cash provided (used) by:		
Operating activities	\$ (82,107,545)	\$ (68,911,352)
Noncapital financing activities	77,850,704	94,706,393
Capital and related financing activities	133,945,274	(21,758,833)
Investment activities	8,037,856	5,089,647
Net Increase (Decrease) in Cash	137,726,289	9,125,855
Cash - Beginning of the Fiscal Year	123,534,714	114,408,859
Cash - End of the Fiscal Year	\$ 261,261,003	\$ 123,534,714

ECONOMIC FACTORS AFFECTING THE FUTURE

The District's 2008-09 General Fund budget is prepared assuming full restoration from prior years FTES decline and 2% growth. It is further assumed that the prior-year property tax short fall will be backfilled.

A contribution to the Retiree Liability Fund was made in fiscal year 2007-08 and is budgeted in the 2008-09 General Fund budget. The District has established a trust for the Retiree Liability Fund. Staff are working with the trust administrator actuary and auditor to fund the Trust according to GASB 45.

State revenues are coming in well below projections. The State is now predicting major budget shortfalls which will, more than likely, result in mid-year budget cuts to the Community College System. The District is developing various scenarios and strategies for coping with these potential mid-year adjustments.

The District is experiencing a surge in enrollment growth despite stock market volatility, reduced property values, and high unemployment rates. As is typical with community colleges statewide, people look to us for retooling and retraining in times of economic loss and uncertainty.

FINANCIAL SECTION

STATEMENT OF NET ASSETS

Yosemite Community College District

June 30, 2008	Primary Institution	Component Units
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 19,053,822	\$ 1,423,534
Accounts receivable - net	10,826,924	228,511
Stores inventory	1,181,577	9,759
Prepaid expenses	459,126	2,099
Total Current Assets	31,521,449	1,663,903
NONCURRENT ASSETS		
Restricted cash and cash equivalents	242,207,181	-
Long-term investments	3,652,551	6,360,270
Loans to students	130,994	30,000
Other assets	-	81,741
Deferred charges	4,549,872	-
Capital assets - net	112,188,834	-
Total Noncurrent Assets	362,729,432	6,472,011
Total Assets	\$ 394,250,881	\$ 8,135,914
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 4,670,119	\$ 119,642
Accrued salaries and related benefits	2,747,800	-
Deferred revenue	11,143,090	14,887
Other accrued liabilities	1,628,818	-
Amounts held in trust for others	1,850,685	164,917
Current portion of long-term liabilities	5,875,390	-
Total Current Liabilities	27,915,902	299,446
NONCURRENT LIABILITIES		
Long-term liabilities	240,110,773	-
Total Liabilities	268,026,675	299,446
NET ASSETS		
Invested in capital assets - net of related debt	108,515,461	-
Restricted:		
Nonexpendable	-	623,715
Expendable	8,012,273	1,069,912
Unrestricted	9,696,472	6,142,841
Total Net Assets	126,224,206	7,836,468
Total Liabilities and Net Assets	\$ 394,250,881	\$ 8,135,914

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

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

Yosemite Community College District

Year Ended June 30, 2008	Primary Institution	Component Units
OPERATING REVENUES		
Tuition and fees (gross)	\$ 11,548,822	\$ -
Scholarship discounts and allowances	(3,947,424)	-
Net Tuition and Fees	7,601,398	-
Grants and contracts - noncapital:		
Federal	7,331,046	-
State	10,956,264	-
Local	2,535,356	-
Other operating receipts	2,875,562	-
Auxiliary enterprise sales and charges	8,029,111	-
Total Operating Revenues	39,328,737	-
OPERATING EXPENSES		
Salaries	68,065,395	105,915
Employee benefits	24,716,938	26,652
Supplies, materials, and other operating expenses and services	24,012,401	281,691
Utilities	2,442,113	-
Depreciation	3,368,017	-
Payments to students	1,096,763	324,389
Total Operating Expenses	123,701,627	738,647
Operating Loss	(84,372,890)	(738,647)
NONOPERATING REVENUES (EXPENSES)		
State apportionments - noncapital	43,911,972	-
Local property taxes - noncapital	34,965,995	-
State taxes and other revenues - noncapital	2,712,643	-
Investment income - noncapital	3,698,464	(85,732)
Amortization expense	(98,288)	-
Financial aid revenues - federal	14,176,748	-
Financial aid revenues - state	1,644,825	-
Financial aid expenses	(16,805,788)	-
Other nonoperating revenues - grants/gifts - noncapital	1,664,451	874,485
Total Nonoperating Revenues	85,871,022	788,753
Income Before Other Revenues, Expenses, Gains, or Losses	1,498,132	50,106
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES		
State apportionments - capital	1,440,828	-
Local property taxes and revenues - capital	10,488,550	-
Investment income - capital	5,000,134	-
Interest expense - capital	(3,582,906)	-
Grants and gifts - capital	90,506	-
Total Other Revenues, Expenses, Gains, or Losses	13,437,112	-
Increase in Net Assets	14,935,244	50,106
Net Assets - Beginning of Year	111,288,962	7,786,362
Net Assets - End of Year	\$ 126,224,206	\$ 7,836,468

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

STATEMENT OF CASH FLOWS

Year Ended June 30, 2008	Primary Institution	Component Units
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 7,702,965	\$ -
Federal grants and contracts	7,346,475	-
State grants and contracts	11,080,070	-
Local grants and contracts	2,472,610	-
Payments to suppliers	(27,215,299)	(197,636)
Payments to/on behalf of employees	(93,045,393)	(132,567)
Payments to/on behalf of students	(1,093,751)	(324,389)
Auxiliary enterprise sales and charges	7,990,329	-
Other receipts	2,654,449	-
Net Cash Used by Operating Activities	(82,107,545)	(654,592)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionment and receipts	38,771,310	-
Property taxes	35,411,880	-
State taxes and other revenues	2,903,643	-
Financial aid, scholarship, loan trust receipts - federal	14,176,748	-
Financial aid, scholarship, loan trust receipts - state	1,644,825	-
Financial aid, scholarship, loan trust disbursements	(16,805,788)	-
Student organization agency receipts	333,635	(12,722)
Other receipts	1,414,451	817,120
Net Cash Provided by Noncapital Financing Activities	77,850,704	804,398
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	151,786,695	-
State apportionments for capital purposes	6,046,564	-
Purchases of capital assets	(26,126,632)	-
Principal paid on capital debt	(4,405,000)	-
Interest paid on capital debt	(4,109,605)	-
Local property taxes and other revenues for capital	10,753,252	-
Net Cash Provided by Capital and Related Financing Activities	133,945,274	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	-	(308,732)
Interest received on capital investments	4,735,432	-
Interest and dividends from noncapital investments	3,302,424	411,021
Net Cash Provided by Investing Activities	8,037,856	102,289
Net Increase in Cash and Cash Equivalents	137,726,289	252,095
Cash and Cash Equivalents Balance - Beginning of Year	123,534,714	1,171,439
Cash and Cash Equivalents Balance - End Year	\$ 261,261,003	\$ 1,423,534

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

STATEMENT OF CASH FLOWS

Year Ended June 30, 2008	Primary Institution	Component Units
RECONCILIATION OF NET OPERATING REVENUE TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (84,372,890)	\$ (738,647)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	3,368,017	-
Changes in assets and liabilities:		
Receivables - net	(99,506)	-
Inventories	119,817	659
Prepaid expenses	(7,630)	152
Loans to students	3,012	-
Accounts payable	(872,972)	83,244
Accrued salaries and benefits	(451,964)	-
Deferred revenues	167,903	-
Compensated absences	188,904	-
Other liabilities	(150,236)	-
Net Cash Used by Operating Activities	\$ (82,107,545)	\$ (654,592)

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

1. ORGANIZATION AND NATURE OF ACTIVITIES

Definition of the Reporting Entity Yosemite Community College District (the District) is a political subdivision of the state of California and provides higher education. The District consists of two community colleges (the Primary Institution).

For financial reporting purposes, the District includes all funds, agencies, and authorities that are controlled by or dependent on the District's executive and legislative branches. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the District, obligations of the District to finance any deficits that may occur, or receipt of significant subsidies from the District.

As a result, the financial statements of the District include the financial activities of the District and the combined totals of the trust and agency funds, which represent the various scholarships and student organizations within the District.

The District, along with the Modesto Junior College Foundation, Columbia College Foundation, and the Great Valley Museum of Natural History (the Foundations), has financial and operational relationships that meet the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) for inclusion of the Foundations as component units of the District. Accordingly, the financial activities of the component units have been included in the financial statements of the District. The separately audited financial statements of the Foundations may be obtained from the District.

The following are those aspects of the relationship between the District and the component units that satisfies the GASB:

Accountability The District is able to impose its will upon the Foundations. The Foundations provide specific financial benefits or impose specific financial burdens on the District.

Scope of Public Service The Foundations are nonprofit, public benefit corporations incorporated under the laws of the state of California, and the Foundations were formed to promote and assist the educational services of the District.

Discrete Presentation For financial presentation purposes, the Foundations' financial activities have been discretely presented with the financial activities of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities (BTA). Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant interfund transactions have been eliminated.

June 30, 2008

Exceptions to the accrual basis of accounting are as follows:

Summer session tuition and fees received before year-end are recorded as deferred revenue as of June 30 with the revenue being recorded in the fiscal year in which the program is predominately conducted.

The District has elected to apply all Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless FASB conflicts with GASB. The District has not elected to apply FASB pronouncements issued after that date. The budgetary and financial accounts of the District are recorded and maintained in accordance with the *Budget and Accounting Manual* issued by the Chancellor's Office of the California Community College.

Cash and Cash Equivalents The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and all highly liquid investments purchased with an original maturity of three months or less.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Stanislaus County Treasury as part of the common investment pool. The county is restricted by *California Government Code*, Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes, or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the county pool are valued using the amortized cost method (which approximates fair value) and includes accrued interest. The pool has deposits and investments with a weighted-average maturity of less than five years. As of June 30, 2008, the fair value of the county pool is 100.99% of the carrying value and is deemed to represent a material difference. Information regarding the amount of dollars invested in derivatives with the county was not available. The county investment pool is subject to regulatory oversight by the Treasury Oversight Committee as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains and losses is independent of the calculation of the net increase or decrease in the fair value of restricted cash and cash equivalents. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in fair value of restricted cash and cash equivalents during the year ended June 30, 2008, was \$2,071,702. This amount takes into account all changes in fair value, including purchases and sales that occurred during the year.

June 30, 2008

Accounts Receivable Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the state of California. 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 utilizes the allowance method with respect to its accounts receivable. The allowance was \$398,083, at June 30, 2008.

Inventories Inventories, primarily bookstore merchandise, are carried at the lower of cost or market using the first-in, first-out (FIFO) method.

Investments Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Fair value is determined from quoted market prices. The District is restricted by state law and the Board's investment policy in the types of investments that can be made. Permissible investments include the county treasury, the state LAIF, federally insured deposits, and individual securities. The District's investment policy further limits its investments to U.S. government and government agency instruments, negotiable certificates of deposits, and corporate notes and bonds. The weighted average maturity of funds invested in the county treasury must be three years or less. The District's investment policy established safety of principal as the primary investment objective. The District's investment strategy is to realize a reasonable interest yield, and investment decisions are executed with the intent that they will be held to maturity.

Restricted Cash and Cash Equivalents Cash that is externally restricted for contractual obligations such as debt service payments, sinking or reserve funds, or to purchase or construct capital or other noncurrent assets is classified as a noncurrent asset in the statement of net assets.

Deferred Charges Deferred charges are bond issuance costs and are deferred and amortized over the term of bonds using the straight-line method since the results are not significantly different from the effective interest method.

Capital Assets Capital assets are recorded at cost on the date of acquisition or fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repair 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 life of the assets, generally 50 years for buildings, 10 years for land improvements, 8 years for equipment, 7 years for library books, and 3 years for technology equipment. Land and construction in progress are considered nondepreciable capital assets; therefore, no depreciation is computed.

Deferred Revenues Deferred revenues include amounts received for tuition, fees, and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Amounts Held in Trust for Others The District administers funds for certain college related organizations. The liability represents the amount of funds held for these organizations.

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. The District has a load-banking program for eligible faculty employees whereby the employee may accrue overload service toward a paid leave.

Bond Premium Bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable.

Net Assets The District's net assets are classified as follows:

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

Restricted net assets - nonexpendable 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 be expended or added to principal depending on donor stipulations.

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

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Classification of Revenues The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

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) sales and services of auxiliary enterprises; and (3) most federal, state, and local grants and contracts and federal appropriations.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues, such as state appropriations and investment income, according to GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

Scholarship Discounts and Allowances and Financial Aid Student tuition and fee revenues are reported net of scholarship discounts and allowances in the statement of activities. The District offers Board of Governor's Grants (BOGG) to qualified students, and these tuition waivers are reported as scholarship discounts and allowances.

June 30, 2008

Risk Management The District retains risk for liability and property damage on the first \$5,000 of each claim. The District retains no risk for workers' compensation claims, and coverage is provided by pooled insurance as a member of a joint powers authority.

Certain liability coverage in excess of \$1,000,000 and up to \$25,000,000 is provided by pooled insurance as a member of a joint powers authority of California community colleges and school districts. Property damage in excess of \$5,000 and up to \$100,000,000 is provided by pooled insurance as a member of a joint powers authority.

Estimates Used in Financial Reporting In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements as well as revenues and expenses during the reporting period. Actual results could differ from those estimates. The District's largest source of revenues are property taxes, enrollment fees, and state revenues. Each of these revenue types is subject to some estimation at the date of the financial statements.

Budgets and Budgetary Accounting By state law, the District's governing board must approve a tentative budget no later than July 1 and adopt a final budget no later than September 15 of each year. A hearing must be conducted for public comments prior to adoption. The District's governing board satisfied these requirements.

The budget is revised during the year to incorporate categorical funds that are awarded during the year and for miscellaneous changes to the spending plans. The District's governing board approves revisions to the budget.

Property Tax Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 1 and February 1, and become delinquent if paid after December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The following counties bill and collect the taxes for the District: Stanislaus, Calaveras, Merced, San Joaquin, Santa Clara, and Tuolumne. Tax revenues are recognized by the District when received.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2008:

	Primary Institution	Fair Value Component Units
PETTY CASH/CASH AWAITING DEPOSIT	\$ 46,904	\$ 735
DEPOSITS (1)	2,219,024	399,481
INVESTMENTS THAT ARE NOT SECURITIES (2)		
County treasurer's investment pool	258,995,253	-
Certificates of deposit	2,648,397	727,791
Money market mutual funds	266,719	946,071
Subtotal	261,910,369	1,673,862
INVESTMENT SECURITIES		
U.S. treasury securities	357,670	683,069
U.S. government agency securities		
Federal National Mortgage Association	42,369	651,274
Federal Home Loan Mortgage Corporation	17,004	-
Corporate bonds	42,453	692,682
Bond mutual funds	49,260	217,330
Equity mutual funds	123,510	435,539
Equity securities	104,991	3,029,832
Subtotal	737,257	5,709,726
Total Cash and Cash Equivalents and Investments	\$ 264,913,554	\$ 7,783,804

- (1) *Deposits* The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.
- (2) *Investments That are Not Securities* A “security” is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

Custodial Credit Risk – Deposits

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the District’s deposits may not be returned. The District and the Foundations do not have a deposit policy for custodial credit risk. As of June 30, 2008, the District’s and the Foundations’ bank balances were exposed to custodial credit risk as follows:

	Primary Institution	Component Units
Uninsured and uncollateralized	\$ -	\$ 418,500
Uninsured and collateral held by pledging bank's trust department not in the District's name	1,992,530	-
Total	\$ 1,992,530	\$ 418,500

Primary Institution - Credit Risk – Investments

California Government Code Section 53601 limits investments in commercial paper to “prime” quality of the highest ranking or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. Individual securities must be backed by the federal government or rated AAA, AA, or A by Standard & Poor’s or Aaa, Aa, or A by Moody’s indices. The District has no investment policy that would further limit its investment choices. The District’s investment in the county investment pool is unrated.

Investment Type	Fair Value	S & P's Rating as of Year End				
		AAA	AA	AA-	BBB-	Unrated
County treasurer's investment pool	\$ 258,995,253	\$ -	\$ -	\$ -	\$ -	\$258,995,253
U.S. treasury securities	357,670	357,670	-	-	-	-
U.S. government agency securities						
Federal National Mortgage Association	42,369	42,369	-	-	-	-
Federal Home Loan Mortgage Corporation	17,004	17,004	-	-	-	-
Corporate bonds	42,453	15,940	-	19,538	6,975	-
Bond mutual funds	49,260	8,452	40,808	-	-	-
Totals	\$ 259,504,009	\$ 441,435	\$ 40,808	\$ 19,538	\$ 6,975	\$258,995,253

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

Yosemite Community College District

Component Units - Credit Risk – Investments

The Foundations’ investment policy requires that 80% of the market value of common stocks be rated B+ or better, that convertible preferred stocks and bonds must be rated BBB, and that fixed income securities are 90% of the market value and rated BBB, all by Standard & Poor’s or by Moody’s indices. The Foundations’ investments rated by Standard & Poor’s as of June 30, 2008, as follows:

Investment Type	Fair Value	S & P's Rating as of Year End											
		AAA	AA	AA+	AA-	A	A+	A-	BBB+	BBB-	B	Unrated	
U.S. treasury securities	\$ 683,069	\$ 683,069	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. government agency securities													
Federal National Mortgage Association	651,274	651,274	-	-	-	-	-	-	-	-	-	-	-
Corporate bonds	692,682	61,892	63,782	60,792	113,270	163,813	147,687	41,150	-	31,367	8,929	-	-
Bond mutual funds	217,329	-	78,407	-	-	68,510	-	-	69,090	-	-	-	1,322
Totals	\$ 2,244,354	\$ 1,396,235	\$ 142,189	\$ 60,792	\$ 113,270	\$ 232,323	\$ 147,687	\$ 41,150	\$ 69,090	\$ 31,367	\$ 8,929	\$ 1,322	

Concentration of Credit Risk – Investments

The proportion of investment in each of the permissible investment categories is restricted as defined in the *California Government Code* Sections 53601 and 53635. The District had no investment greater than 5% of the District’s total investments. The Foundations’ investment policy allows for not more than 30% of the portfolio to be invested in one industry sector, and equity securities shall not exceed 5% of the total securities, with total debt and equity not exceeding 10%. The Foundation had one investment greater than 5% of the Foundations’ total investments, which consisted of \$466,387 in Modesto Commerce Bank certificates of deposit.

Primary Institution – Interest Rate Risk – Investments

California Government Code Section 53601 limits the District’s investments to maturities of five years. District investments generally have a maturity of less than five years. However, endowment funds have longer maturities due to specific donor requirements. This is allowed per the District Board Policy 3320. The schedule of maturities at June 30, 2008, is as follows:

Investment Type	Fair Value	Maturity (in Years)			
		Less Than 1	1-5	6-10	More than 10
County treasurer's investment pool	\$ 258,995,253	\$ 258,995,253	\$ -	\$ -	\$ -
U.S. treasury securities	357,670	25,401	178,519	153,750	-
Federal National Mortgage Association	42,369	-	-	17,306	25,063
Federal Home Loan Mortgage Corporation	17,004	-	-	17,004	-
Corporate bonds	42,453	-	35,478	6,975	-
Mutual bond funds	49,260	-	-	49,260	-
Totals	\$ 259,504,009	\$ 259,020,654	\$ 213,997	\$ 244,295	\$ 25,063

Component Units – Interest Rate Risk – Investments

The Foundations’ investment policy limits fixed income securities to an average duration of six years or less. The schedule of maturities at June 30, 2008, is as follows:

Investment Type	Fair Value	Maturity (in Years)			
		Less Than 1	1-5	6-10	More than 10
U.S. treasury securities	\$ 683,069	\$ -	\$ 598,575	\$ 41,662	\$ 42,832
Federal National Mortgage Association	651,274	-	317,984	333,290	-
Corporate bonds	692,682	9,996	472,574	210,112	-
Mutual bond funds	217,330	194,406	22,924	-	-
Totals	\$ 2,244,355	\$ 204,402	\$ 1,412,057	\$ 585,064	\$ 42,832

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2008:

Federal grants and contracts	\$ 2,273,209
State grants and contracts	1,474,023
Local grants and contracts	1,209,988
State lottery and other revenues	759,000
State apportionment - noncapital	3,160,777
State apportionment - capital	219,242
Tuition and fees	1,053,403
Property taxes - noncapital	10,296
Auxiliary	564,797
Interest receivable	12,479
Miscellaneous	89,710
Total	\$ 10,826,924

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, is as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
NONDEPRECIATED CAPITAL ASSETS				
Construction in progress	\$ 19,114,134	\$ 25,218,782	\$ -	\$ 44,332,916
Land	5,043,476	-	-	5,043,476
DEPRECIATED CAPITAL ASSETS				
Site improvements	1,712,791	-	-	1,712,791
Buildings and improvements	79,157,276	-	-	79,157,276
Equipment	20,641,880	1,005,542	756,222	20,891,200
Total Capital Assets	125,669,557	26,224,324	756,222	151,137,659
Less: Accumulated depreciation	36,329,844	3,368,017	749,036	38,948,825
Total Capital Assets - Net	\$ 89,339,713	\$ 22,856,307	\$ 7,186	\$ 112,188,834

6. LONG-TERM LIABILITIES

The long-term liability activity for the year ended June 30, 2008, is as follows:

	Beginning Balance	Additions	Payments and Reductions	Ending Balance	Current Portion
Compensated absences	\$ 2,717,192	\$ 188,904	\$ -	\$ 2,906,096	\$ -
General obligation bonds	88,490,000	150,000,000	4,405,000	234,085,000	4,990,000
Unamortized bond premiums	4,424,076	4,983,616	526,699	8,880,993	885,390
Accreted interest	-	114,074	-	114,074	-
Total	\$ 95,631,268	\$ 155,286,594	\$ 4,931,699	\$ 245,986,163	\$ 5,875,390

7. BONDED DEBT

The outstanding general obligation bonded debt is as follows:

2005 Series A general obligation bond, due in annual installments of \$905,000 to \$23,680,000 beginning August 1, 2006, through August 1, 2029, at interest from 3.00% to 5.00%.	\$ 84,085,000
2008 Series C general obligation bond, due in annual installments of \$1,422,839 to \$30,685,000 beginning August 1, 2011, through August 1, 2032, at interest from 5.00% to 6.05%.	150,000,000
Total	\$ 234,085,000

The amount of interest cost incurred during the year ended June 30, 2008, was \$3,582,906, all of which was charged to expenses. The annual requirements to amortize the general obligation bonds payable is as follows:

Years Ending June 30	Principal	Interest	Total
2009	\$ 4,990,000	\$ 10,729,545	\$ 15,719,545
2010	905,000	9,344,113	10,249,113
2011	1,080,000	9,312,150	10,392,150
2012	2,682,839	9,257,475	11,940,314
2013	3,112,976	9,198,667	12,311,643
2014-2018	22,337,101	44,478,083	66,815,184
2019-2023	33,854,597	40,633,313	74,487,910
2024-2028	62,272,487	33,007,667	95,280,154
2029-2030	102,850,000	10,404,333	113,254,333
Totals	\$ 234,085,000	\$ 176,365,346	\$ 410,450,346

8. EMPLOYEE RETIREMENT SYSTEMS

California State Teachers' Retirement System

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by CalSTRS. The Plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from the CalSTRS office, 7919 Folsom Boulevard, Sacramento, California 95826.

June 30, 2008

Funding Policy

Active plan members are required to contribute 8.0% of their salary, and 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 CalSTRS 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 District's contributions to CalSTRS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$2,966,243, \$2,778,808, and \$2,759,589 respectively, and equaled 100% of the required contributions for each year.

Other Information

Under CalSTRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit, which may be paid on either a current or deferred basis. The District has obligations to CalSTRS for early retirement incentives granted to retired employees at June 30, 2008.

California Public Employees Retirement System***Plan Description***

The District contributes to the California School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by CalPERS. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. 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 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.00% of their salary, and 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 CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-08 was 9.306% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$2,320,857, \$2,131,059, and \$1,926,204, respectively, and equaled 100% of the required contribution for each year.

June 30, 2008

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described above, the District provides postemployment health care benefits to employees who retire from the District based on the rule of 70. The rule of 70 is any combination of the retiree's minimum age of 50 and years of regular District service equal to 70 or more. The District covers the retiree and all eligible dependents until the employee reaches age 65. On June 30, 2008, 249 retirees met these eligibility requirements. During the year ended June 30, 2008, expenditures of \$2,380,685 were recognized for postemployment health care. Estimated payments for the fiscal year ending June 30, 2009, are \$2,324,960.

The District has estimated the present value of the postemployment health care benefit liability at June 30, 2008, at approximately \$36,444,575. This estimate was computed as part of an actuarial valuation dated January 1, 2008.

The District has also adopted the Accumulation Program for Part-time and Limited-service Employees (APPLE). The Plan is covered under *Internal Revenue Code*, Section 401A. Plan participants include all individuals who have worked for the District on or after January 1, 1992, provided that they are not covered by any other retirement program (e.g., CalPERS or CalSTRS) through the District employment. Each participant makes tax deferred contributions to APPLE equal to 7.5% of total compensation. Accounts are established in the name of each participant. Employee contributions are allocated directly to employee accounts. The minimum allocation participants will receive is 7.5% of compensation. Participant account balances are fully vested and nonforfeitable. Participant account balances will be paid in a single distribution upon retirement or other termination. The District is not required to make contributions to APPLE.

10. COMMITMENTS AND CONTINGENCIES**Federal and State Allowances, Awards, and Grants**

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

Construction Project Commitments

The District entered into several construction commitments for a total of \$1,670,706 during the fiscal year ended June 30, 2008. Subsequent to June 30, 2008, the District entered into additional construction commitments for a total of \$2,054,407.

Operating Leases

The District has entered into various operating leases for land, buildings, and equipment. All leases contain termination clauses providing for cancellation upon written notice to lessors. It is expected that in the normal course of business most of these leases will be replaced by similar leases.

11. JOINT POWERS AGREEMENT

The District participates in property, liability, and workers' compensation insurance programs organized by the Valley Insurance Program Joint Powers Agency (VIP). VIP is a joint powers authority (JPA) created to provide self-insurance programs to Northern California Community Colleges.

The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA independent of any influence by the District beyond its representation on the board.

The JPA is independently accountable for its own fiscal matters. Budgets are not subject to any approval other than that of the governing board. Member districts share surpluses and deficits proportionately to their participation in the JPA.

Separately issued financial statements can be requested from the JPA. Condensed financial information of the JPA as of September 30, 2007, is as follows:

Total assets	\$ 18,136,121
Total liabilities	10,934,040
Net Assets	\$ 7,202,081
Total operating revenues	\$ 6,072,384
Total operating expenditures	(4,416,447)
Nonoperating income	882,326
Net Increase in Net Assets	2,538,263
Beginning Net Assets - October 1, 2006	4,663,818
Ending Net Assets - September 30, 2007	\$ 7,202,081

June 30, 2008

12. COMPONENT UNITS

The following summarizes the financial data of the component units included in the basic financial statements:

	Modesto Junior College Foundation	Columbia College Foundation	Great Valley Museum Foundation
Total assets	\$ 6,978,177	\$ 666,896	\$ 490,840
Total liabilities	254,632	-	44,814
Net Assets	\$ 6,723,545	\$ 666,896	\$ 446,026
Total revenues	\$ 344,918	\$ 91,697	\$ 354,638
Total expenses	529,214	115,653	96,282
Change in Net Assets	\$ (184,296)	\$ (23,956)	\$ 258,356

13. NEW PRONOUNCEMENTS

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition, and display of other postretirement benefit expenses/expenditures and related liabilities (assets), note disclosures, and required supplementary information in the financial reports of state and local governmental employers. The provisions of the statement are effective for the District for periods beginning after December 15, 2007. Based on the actuarial study as of January 1, 2008, the first-year annual required contribution will be \$3,312,757 due as of June 30, 2009.

SUPPLEMENTARY INFORMATION SECTION

ORGANIZATION STRUCTURE

June 30, 2008

Yosemite Community College District

The District, a political subdivision of the state of California, was established on July 1, 1964, and commenced operations on July 1, 1965. Its territories encompass portions of Calaveras, Merced, Santa Clara, Stanislaus, San Joaquin, and Tuolumne counties. There were no changes in boundaries during the fiscal year.

The District provides higher education instruction for the first and second years of college education and vocations training at Modesto Junior College and Columbia College.

GOVERNING BOARD

Name	Office	Term Expires
Abe Rojas	Chair	2008
Paul Neumann	Vice Chair	2008
Tom Hallinan	Member	2008
Linda Flores	Member	2008
Pat Dean	Member	2010
Anne DeMartini	Member	2010
Desirree Abshire	Member	2010

ADMINISTRATION

Dr. D. Roe Darnell
Chancellor

Ms. Teresa Scott
Executive Vice Chancellor

Ms. Diane Wirth
Vice Chancellor, Human Resources

Ms. Gina Rose
Assistant Chancellor, Information Technology

Dr. Richard Rose
President, Modesto Junior College

Dr. Joan Smith
President – Columbia College

**SCHEDULE OF WORKLOAD MEASURES
FOR STATE GENERAL APPORTIONMENT
ANNUAL ATTENDANCE**

Yosemite Community College District

June 30, 2008

The full-time equivalent resident students eligible for 2007-08 state apportionment reported to the state of California as of June 30, 2008, are summarized below:

	Reported Data	Adjustments	Revised Data
SUMMER INTERSESSION (Summer 2007 only)			
Noncredit	131	-	131
Credit	1,046	-	1,046
SUMMER INTERSESSION (Summer 2008 - Prior to July 1, 2008)			
Noncredit	6	-	6
Credit	569	510	1,079
PRIMARY TERMS (Exclusive of Summer Intersession)			
Census Procedure Courses			
Weekly Census Contact Hours	12,859	(4)	12,855
Daily Census Contact Hours	1,240	2	1,242
Actual Hours of Attendance Procedure Courses			
Noncredit	870	(20)	850
Credit	106	21	127
Independent Study/Work Experience			
Weekly Census Contact Hours	72	-	72
Daily Census Contact Hours	5	-	5
Noncredit independent study/distance education courses	-	-	-
Total FTES	16,904	509	17,413
SUPPLEMENTAL INFORMATION (Subset of above information)			
In-Service Training Courses (FTES)	129	-	129
BASIC SKILLS COURSES AND IMMIGRANT EDUCATION			
Noncredit	117	-	117
Credit	788	-	788
CCFS 320 ADDENDUM			
CDCP Noncredit FTES	413	-	413

See the accompanying notes to the supplemental information.

**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

Yosemite Community College District

June 30, 2008	Federal CFDA Number	Current Year
FEDERAL PROGRAMS		
U.S. DEPARTMENT OF EDUCATION		
Talent Search	84.044	\$ 308,452
Upward Bound	84.047	381,518
Student Support Services	84.042	225,105
Work Study	84.033	245,450
Pell Grant	84.063	13,724,289
Supplemental Educational Opportunity Grant	84.007	449,341
Strengthening Institutions	84.031	(9,907)
Academic Competitiveness Grants	84.375	51,203
Total Direct U.S. Department of Education		<u>15,375,452</u>
Federal Awards Passed Through Other Agencies		
AGENCY FOR INTERNATIONAL DEVELOPMENT		
CASS	84.XXX	<u>328,360</u>
U.S. DEPARTMENT OF EDUCATION		
Passed Through California Department of Education		
Vocational and Applied Technology Education Act:		
Block Grant	84.048	891,149
Tech Prep	84.048	394,292
Leadership	84.048	164,480
Passed Through Reedly College		
Curriculum Development Improvement	84.048	46,748
Passed Through Chancellor's Office		
IASA Title VII Reading Excellence Local Reading	84.338	9,336
Passed Through Community College Foundation		
Independent Living State Grants	84.169	12,994
Passed Through CSU Stanislaus		
Math and Transfer Partnership	84.031S	136,970
Total U.S. Department of Education		<u>1,655,969</u>
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through California Department of Education		
Forest Reserve	10.670	30,753
Child and Adult Care Food Program	10.558	34,190
Total U.S. Department of Agriculture		<u>64,943</u>
CORPORATION FOR NATIONAL SERVICE		
Americorps	94.006	<u>81,742</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed Through California Department of Education		
Temporary Assistance for Needy Families	93.558	12,733
Child Development Training Consortium	93.575	3,387,836
Foster Parents	93.658	93,871
Head Start	93.600	213,751
Medical Assistance Program (Medi-Cal)	93.778	19,482
Total U.S. Department of Health and Human Services		<u>3,727,673</u>
DEPARTMENT OF VETERANS AFFAIRS		
Post-Vietnam Era Veterans' Educational Assistance	64.120	<u>3,283</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Hispanic-Serving Institution Assisting Communities	14.514	<u>397,715</u>
Total Federal Programs		<u>\$ 21,635,137</u>

See the accompanying notes to the supplemental information.

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Yosemite Community College District

June 30, 2008	Program Entitlements			Program Revenues				Program Expenditures
	Current Year	Prior-Year Carryover	Total	Cash Received	Accounts Receivable	Deferred Revenue	Total	
CATEGORICAL APPORTIONMENTS								
Board Financial Assistance Program	\$ 684,261	\$ 688	\$ 684,949	\$ 684,261	\$ -	\$ 37,994	\$ 646,267	\$ 646,267
CalWORKS	701,219	71,815	773,034	720,655	28,104	93,181	655,577	655,577
Cooperative Agencies Resources for Education	251,522	3,918	255,440	251,433	89	4,505	247,017	247,017
Disabled Student Program and Services	2,308,087	394,540	2,702,627	2,176,047	884	142,468	2,034,462	2,034,462
Economic Development	278,684	178,835	457,519	391,621	13,424	174,050	230,995	230,995
Extended Opportunity Program and Services	1,899,530	54,482	1,954,012	1,705,859	27,920	70,716	1,663,063	1,663,063
Instructional Equipment	281,106	873,965	1,155,071	1,154,648	-	890,579	264,069	264,069
Matriculation	1,189,143	144,953	1,334,096	1,217,821	3,681	34,809	1,186,694	1,186,694
Staff Diversity	18,762	26,840	45,602	45,996	-	33,959	12,038	12,038
Staff Development	-	79,834	79,834	79,834	-	62,938	16,896	16,896
Temporary Assistance for Needy Families	(30,175)	147,354	117,179	388,985	-	219,756	169,229	169,229
Subtotal	7,582,139	1,977,224	9,559,364	8,817,161	74,101	1,764,955	7,126,306	7,126,306
CATEGORICAL PROGRAM ALLOWANCES								
CCC Live Caption Project	-	1,555	1,555	1,555	-	2,005	(450)	(450)
Early Childhood Education Consortium	2,049,287	3,042	2,052,329	1,530,348	527,041	269,614	1,787,775	1,787,775
Child Development Training Consortium	802,490	193,772	996,262	690,239	343,035	217,823	815,450	815,450
Foster Care Education	97,236	-	97,236	1,739	92,435	303	93,871	93,871
California Articulation Number	10,000	-	10,000	10,000	125	-	10,125	10,125
Telecommunications and Tech Infrastructure Programs	199,874	287,001	486,875	212,073	21,864	41,935	192,002	192,002
Staff Diversity Registry	507,639	99,687	607,326	332,312	162,942	12,822	482,432	482,432
Child Care Food	14,413	-	14,413	19,870	344	1,532	18,682	18,682
Workforce Investment Act/Basic Skills	858,401	136,536	994,937	760,648	18,961	597,265	182,344	182,344
Career Tech Ed/Center of Excellence	426,404	149,580	575,984	358,129	151,117	84,665	424,581	424,581
Subtotal	4,965,744	871,173	5,836,917	3,916,913	1,317,864	1,227,964	4,006,813	4,006,813
Total State Programs	\$ 12,547,883	\$ 2,848,397	\$ 15,396,280	\$ 12,734,074	\$ 1,391,965	\$ 2,992,920	\$ 11,133,119	\$ 11,133,119

See the accompanying notes to the supplemental information.

**RECONCILIATION OF ANNUAL FINANCIAL
AND BUDGET REPORT (CCFS-311) WITH
AUDITED FINANCIAL STATEMENTS**

Yosemite Community College District

June 30, 2008

There were no adjustments or reclassifications necessary to reconcile the Annual Financial and Budget Report with the audited statement of net assets and statement of revenues, expenses and changes in net assets other than those items related to GASB Statements 34 and 35.

1. PURPOSE OF SCHEDULES

Schedule of Workload Measures for State General Apportionments/Annual Attendance

A full-time equivalent student is a measurement of the number of hours students attend classes. 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.

Schedules of Expenditures of Federal and State Awards

These schedules are prepared on the modified accrual basis of accounting. OMB Circular A-133 requires disclosure of the financial activities of all federally funded programs. These schedules were prepared to comply with OMB Circular A-133 and state requirements.

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

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

2. FEDERAL PERKINS LOAN LIQUIDATION

During the year ended June 30, 2008, the District liquidated its federal Perkins Loan Program with the United States Department of Education (USDE). All student loans outstanding were assigned to the USDE. Loans rejected by the USDE were purchased by the District and outstanding balances were cleared with the USDE. The District made its final capital distribution to the USDE prior to June 30, 2008, and reported a final Fiscal Operations Report and Application to Participate with \$-0- balances and no transactions for the federal Perkins Loan program.

OTHER REPORTS SECTION



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**INDEPENDENT AUDITORS' 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***

To the Members of the Board of Trustees
Yosemite Community College District
Modesto, California

We have audited the financial statements of Yosemite Community College District (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 25, 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 the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 AUDITORS' 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 the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, management, 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.

Matson and Isom

November 25, 2008



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

To the Members of the Board of Trustees
Yosemite Community College District
Modesto, California

Compliance

We have audited the compliance of Yosemite Community College District (the 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. The District's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the 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 occurred with the types of compliance requirements referred to above, which could have a direct and material effect on a major federal program. An audit includes 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 audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the 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 the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the 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 the District's internal control over compliance.

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

Continued

A control deficiency in an entity'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 entity'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 entity'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 entity'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 deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, management, 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.

Matson and Isom

November 25, 2008



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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Members of the Board of Trustees
Yosemite Community College District
Modesto, California

We have audited the financial statements of the Yosemite Community College District (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and *California Community Colleges Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following:

SALARIES OF CLASSROOM INSTRUCTORS: 50 PERCENT LAW
 APPORTIONMENT FOR INSTRUCTIONAL SERVICE AGREEMENTS
 STATE GENERAL APPORTIONMENT FUNDING SYSTEM
 RESIDENCY DETERMINATION FOR CREDIT COURSES
 STUDENTS ACTIVELY ENROLLED
 CONCURRENT ENROLLMENT OF K-12 STUDENTS IN
 COMMUNITY COLLEGE
 USES OF MATRICULATION FUNDS
 GANN LIMIT CALCULATION
 ENROLLMENT FEE
 CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CALWORKS)
 SCHEDULED MAINTENANCE PROGRAM
 OPEN ENROLLMENT
 MINIMUM CONDITIONS - "STANDARDS OF SCHOLARSHIP"
 STUDENT FEES - INSTRUCTIONAL MATERIALS FEES AND HEALTH FEES

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Continued

Based on our audit, for the items tested, we found the District complied with the state laws and regulations referred to above, except as described in the schedule of findings and questioned costs. Further, based on our examination for items not tested, nothing came to our attention to indicate that the District had not complied with state laws and regulations except as described in the accompanying schedule of findings and questioned costs as items 08-1 and 08-2.

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

Matson and Isom

November 25, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS SECTION

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2008

Yosemite Community College District

**SECTION I
SUMMARY OF AUDIT RESULTS**

FINANCIAL STATEMENTS

Type of auditors' report issued	Unqualified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiency identified not considered to be material weakness?	No
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiency identified not considered to be material weakness?	No
Type of auditors' report issued on compliance for major program	Unqualified
Audit findings disclosed relative to major federal award programs?	No
Identification of major programs CFDA No. 84.007, 84.033, 84.063, 84.375	Student Financial Assistance Cluster
Threshold for distinguishing types A and B programs	\$649,054
Determined to be a low-risk auditee?	No

STATE AWARDS

Internal control over state programs	
Material weaknesses identified?	No
Significant deficiency identified not considered to be material weakness?	Yes
Type of auditors' report issued on compliance for state programs	Unqualified

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2008

Yosemite Community College District

**SECTION II FINDINGS
FINANCIAL STATEMENT AUDIT**

None.

**SECTION III FINDINGS
FEDERAL AWARDS AUDIT**

None.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2008

Yosemite Community College District

**SECTION IV FINDINGS
STATE AWARDS AUDIT**

STATE COMPLIANCE (Concurrent Enrollment)

08-1

Significant Deficiency

Condition

The District does not have a procedure for determining that not more than 10% of the enrollment claimed for apportionment for each course section consists of special part-time and full-time students. At Columbia College there were 10 physical education course sections that claimed apportionment over 10% of special part-time and full-time students.

The District does not have a procedure for determining that they are not claiming state apportionments for special part-time and full-time students enrolled in physical education courses in excess of 5% of the district's total reported FTES of special part-time and full-time students.

Criteria

For physical education classes, no more than 10% of the District's enrollment may be comprised of special part-time or full-time students. The 10% limit serves as a limit on how many students may be claimed for apportionment in each section, not how many may actually be enrolled in a course section. In addition, the District may not receive state apportionments for special part-time and full-time students enrolled in physical education courses in excess of 5% of the District's total reported FTES of special part-time and full-time students (CCR, Title 5, Section 76002(a)).

Effect

FTES overstatement was 1.87 with a total value of approximately \$9,300 for the year ended June 30, 2008.

Recommendation

We recommend that the District establish a procedure for reviewing all physical education courses to ensure that no more than 10% of the students claimed for apportionment are special part-time and full-time students. In addition, we recommend the District establish a procedure for determining that they are not claiming state apportionments for special part-time and full-time students enrolled in physical education courses in excess of 5% of the District's total reported FTES of special part-time and full-time students.

Response

Even though the District's third-period filing of the 320 Report on July 15, 2008, overstated FTES by 1.87 (0.01%), we corrected this error when the District recalculated 2007-2008 FTES in October 2008. In the recalculation, the District also decided to roll back enough FTES to capture our base 2004-2005 FTES, plus a small amount of growth. The net effect was to increase our FTES claim by approximately 500.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2008

Yosemite Community College District

By December 19, 2008, the District's Information Technology Department will have programming in place to help ensure compliance with both parts of this regulation as noted below:

1. *10% Rule-* As a preventative control, the enrollment of special part-time and full-time students in each physical education section will be restricted to 10% of the section capacity. Since all sections do not fill to capacity, there will also be a detective control at the end of the term, identifying all physical education sections that are not in compliance. The excess FTES will be removed from the apportionment claim.
2. *5% Rule-* A report will be developed to calculate the percentage of special part-time and full-time student FTES in physical education sections as compared to the total special part-time and full-time student FTES. If this District-wide percentage exceeds 5%, the excess FTES will be removed from the apportionment claim.

A review of these two reports has been added to the procedures used to determine the District's apportionment claim.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2008

Yosemite Community College District

**SECTION IV FINDINGS
STATE AWARDS AUDIT**

STATE COMPLIANCE (Student Fees)

08-2

Significant Deficiency

Condition

The District did apply adopted policies and regulations regarding the authority of the District to require students to provide various types of instructional materials. Two classes at Columbia College with materials fees were not approved through the process outlined in the adopted policies and regulations.

Criteria

The District's governing board must have adopted policies or regulations regarding the authority of the District to require students to provide various types of instructional materials. The policies or regulations should reflect the intent of the legislature that districts are not required to provide all materials, textbooks, equipment, and clothing necessary for each course and program. (CCR, Title 5, Section 76365).

Effect

Potential overstatement of materials fees revenue.

Recommendation

We recommend that the District apply adopted policies or regulations regarding the authority of the District to require students to provide instructional materials on a continuing basis.

Response

Columbia College has "re-approved" all courses that were assigned material fees.

Additionally, Columbia College is now using an automated system (Curricunet) that will force approval of material fees for all of their courses.

None.

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

June 30, 2008

Yosemite Community College District

**SECTION III FINDINGS
FEDERAL AWARDS AUDIT**

FEDERAL COMPLIANCE (Student Financial Assistance)

07-1

Significant Deficiency

Condition

The District did not deposit the return of Title IV funds into the electronic funds transfers initiated to the Department of Education in a timely manner.

Criteria

Return to Title IV funds are required to be deposited or transferred into the Student Financial Aid (SFA) account or electronic fund transfers initiated to the Department of Education as soon as possible, but no later than 45 days after the institution determines that the student withdrew (34 CFR Section 668.173(b)).

Effect

Of the 42 calculations reviewed, there were 15 instances at Modesto Junior College where the funds were not returned to the Department of Education within the required time frame.

Recommendation

We recommend that the District establish procedures to ensure that the amounts to be returned to Title IV programs are issued within the required timeframe.

Response

Fully implemented.

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

June 30, 2008

Yosemite Community College District

**SECTION IV FINDINGS
STATE AWARDS AUDIT**

STATE COMPLIANCE (Standards of Scholarship)

07-2

Significant Deficiency

Condition

The District did not publish the limitations on remedial coursework for a community college student in the Columbia College catalog. The limitations should identify that no student shall receive more than 30 semester units of credit in remedial coursework.

Criteria

Districts must establish a limit on the amount of remedial coursework a community college student may take. No student shall receive more than 30 semester units (or 45 quarter units) of credit in remedial coursework. Students that exhaust the unit limitation should be referred to appropriate adult noncredit education services. (CCR, Title 5, Section 55756.5).

Effect

Potential FTE misstatement for the year ended June 30, 2007.

Recommendation

We recommend that the District publish the limitations on remedial coursework in the Columbia College catalog.

Response

Fully implemented.