YOSEMITE COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
June 30, 2016

YOSEMITE COMMUNITY COLLEGE DISTRICT

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

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(Continued)

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Yosemite Community College District
Modesto, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Yosemite Community College District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Yosemite Community College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

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 the fiduciary activities of Yosemite Community College District, as of June 30, 2016, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 15 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress and Schedule of Employer Contributions, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 49 to 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

(Continued)

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

The Organization on page 55 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016 on our consideration of Yosemite Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Yosemite Community College District's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 14, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplemental Information)

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the Yosemite Community College District (the District) for the year ended June 30, 2016. This discussion has been prepared by management and should be read in conjunction with the financial statements, including the notes thereto, which follow this section.

HISTORY

Modesto Junior College, one of the oldest community colleges in the state, was founded in 1921 to serve the first junior college district established under the State Legislature. The District's boundaries changed in 1964 and the Yosemite Community College District was created and named by action of the electorate. The District includes two comprehensive, two-year colleges: Modesto Junior College founded in 1921, and Columbia College founded in 1967. The District includes all of two counties (Stanislaus and Tuolumne), parts of four others (Calaveras, Merced, San Joaquin, and Santa Clara), and stretches 170 miles across central California from the coastal range on the west to the Sierra Nevada's on the east. The District is governed by a seven-member Board of Trustees.

ACCOUNTING STANDARDS

The format of these financial statements follows Governmental Accounting Standards Board (GASB), Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* The California Community Colleges Chancellor's Office (Chancellor's Office) recommends that all state community college districts follow the business type activity (BTA) model. The District applied the BTA reporting model to comply with the recommendation and to report in a manner consistent and comparable with other community college districts.

GASB reporting standards require that the annual report include three basic financial statements that provide information on the District as a whole: the statement of net position; the statement of revenues, expenses, and change in net position; and the statement of cash flows. The information provided on the statements in the Management's Discussion and Analysis (MDA) includes all funds, including special revenue funds, general obligation bond funds, and student associations. Each statement will be discussed separately. Financial statements for the college foundations are issued separately and can be obtained from the respective organizations.

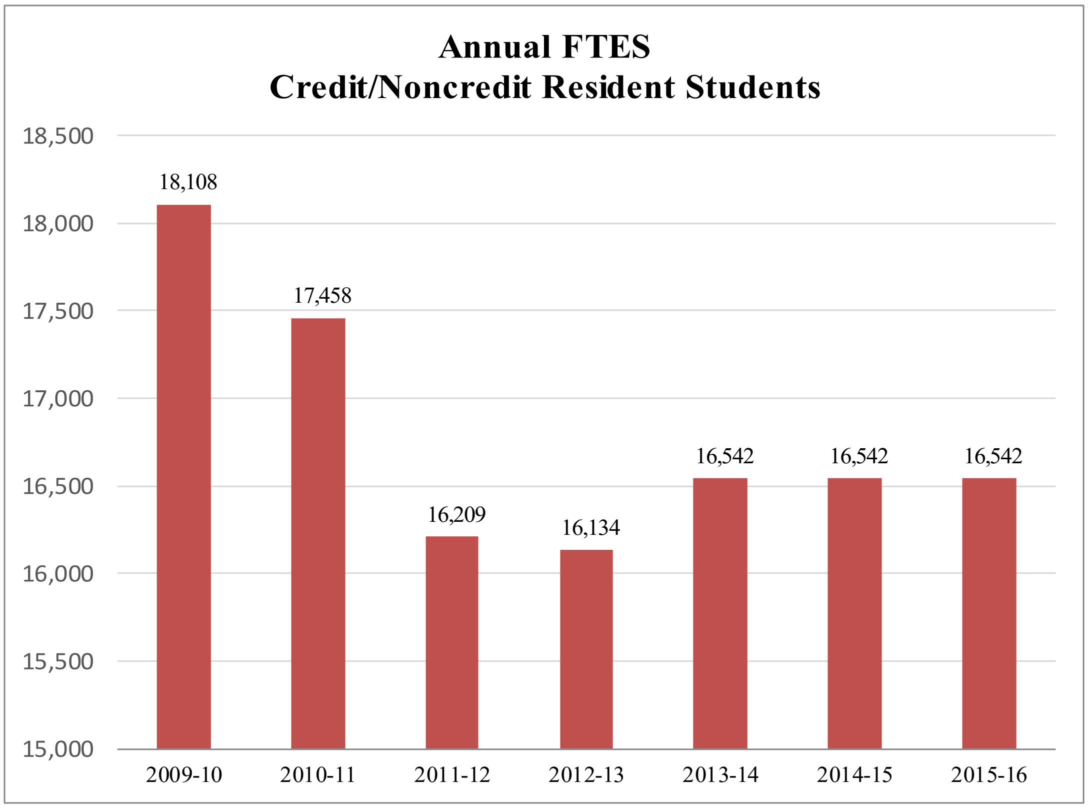
The following MDA provides an overview of the District's financial activities.

FINANCIAL HIGHLIGHTS

The 2015-16 Budget Act included a 1.02% or $855,353, cost-of-living adjustment (COLA). The growth rate allowed was 2.6% and would fund approximately 430 additional full-time equivalent students (FTES). The District's final budget approved in September 2015 did include the growth revenue of $1,990,000. However, a revised budget was sent to the Board in March 2016 which removed the growth revenue as the colleges were not in a position to capture FTES growth in 2015-2016. The final budget also included funding to add 21 new faculty positions at Modesto Junior College and one new faculty position at Columbia College.

ATTENDANCE

Although there was the availability for growth in the Budget Act, the District reported and was funded for the same number of FTES in 2015-16 as in the previous two fiscal years. Actual FTES reported in 2015-16 was 16,542. The chart below shows actual FTES reported for 2015-16 fiscal year as well as the previous six years.



GENERAL FUND RESERVE

The District has a designated reserve in the General Fund of $9.6 million or approximately 10% of the General Fund unrestricted expenditures budget for 2015-16. For the 2016-17 budget year, the District has a 10% designated reserve on the General Fund unrestricted budgeted expenditures and just above $2.9 million in undesignated reserves.

SALARIES AND BENEFITS

All employees received a 5% cost of living (COLA) adjustment for the 2015-2016 fiscal year. Eligible employees received stability pay as per their employee group contracts during the fiscal year. The District paid the cost of a base health benefit plan for eligible employees at an annual cost per employee of $18,744. There will be no cost of living salary adjustment for District employee groups in 2016-17 and the District paid base health plan will increase to $18,888 per eligible employee for the CSEA and LTAC employees and $18,798 for faculty.

ECONOMIC FACTORS AFFECTING THE FUTURE

The 2016-17 State Budget Act does not include a cost-of-living-adjustment, base apportionment increase of approximately 1.29%, and growth rate of 2.0%. Additional categories of renewed funding includes Student Success, Student Equity, Proposition 39 Energy Efficiency funding, Scheduled Maintenance funding, Extended Opportunities Programs and Services, Disabled Students Program, and CalWORKS. The District is also anticipating the receipt of one-time funds from outstanding mandates. The District's share as proposed in the state budget is approximately $1.5 million. As these are one-time funds, the spending plan for these funds are for initiatives that do not rely on on-going funds. The District has elected to utilize these funds for instructional equipment.

OTHER POSTEMPLOYMENT BENEFITS

The District joined Public Agency Retirement Services (PARS) July 1, 2008, to establish an irrevocable trust for its other postemployment benefits (OPEB). The District's OPEB consists of health benefits. The account balance as of June 30, 2016, was $28,320,027. The initial contribution to the trust was made June 1, 2009, in the amount of $14,943,947. The annual required contribution (ARC) per the District's actuarial contribution year beginning December 1, 2015, was $1,342,123. When taking into account interest and amortization adjustments, the beginning obligation and the District contribution in 2015-16 of $5,026,782, which includes the ARC, the net annual OPEB obligation (OPEB asset) at June 30, 2016, is positive $9,521,345. The positive balance will be recognized in the 2016-17 year ARC calculation.

The District established a Retirement Trust Committee that meets quarterly with PARS staff and US Bank staff to review the OPEB Trust investments, actuarial studies, and other activities related to the District's OPEB Trust.

GENERAL OBLIGATION BOND- MEASURE E

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, California. The sale of the first of the three bond issues in the amount of $94 million was made in May 2005; the second sale in the amount of $150 million took place in April 2008; and the third and final bond issue was sold in June 2010 in the amount of $82 million. In July 2012, the District refunded $57,150,000 of bonds issued in 2005. The net savings of this refunding was $4,528,621. In July 2015, the District refunded $120,205,000 of bonds issued in 2005 and 2008. The net savings of this refunding was $9,196,359. Completed and in-use projects are: MJC auditorium, MJC Ag-modular living units, MJC Ag-animal facilities renovation, MJC campus way parking lot, MJC loop road/infrastructure (Increment I), MJC parking structure/lot, MJC softball complex, MJC Ag Multipurpose Pavilion, MJC Allied Health Building, MJC Art Building Renovation, MJC Founders Hall Modernization, MJC Student Services Building, MJC Redbud Distance Education, MJC Science Center, MJC Roadways, CC Science Natural Resources Building, Columbia College (CC) bus service loop/disabled parking lot, CC 200 space parking lot, CC child development center, CC Madrone building modernization, CC Public Safety Center, CC Manzanita Building, CC roadways, Central Services (CS) Ag trailers, CS master plan, CS district office, and CS Capital Outlay Debt Service.

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 impact of inflation. The District's Board approved revised Measure E budgets for both Modesto Junior College and Columbia College in the spring of 2011. In January 2012, the District's Board approved revised Measure E budgets for Modesto Junior College and Central Services. Modesto Junior College reallocated existing funds from savings from completed projects. Based upon the bi-annual arbitrage studies that resulted in negative arbitrage calculation, Central Services augmented their allocation by $20,000,000 from investment earnings for the purpose of building a Central Services office, improving roads and stop lights, and adding solar energy to the District's sites. The 2015-16 year was an extraordinary year of construction and development for the District's Measure E projects.

STATEMENTS OF NET POSITION

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

	2016	2015	Change
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 51,041,134	$ 29,330,628	74%
Receivables	8,083,619	8,350,789	-3%
Inventory, prepaid, and other assets	1,534,373	1,420,655	8%
Total Current Assets	60,659,126	39,102,072	55%
NONCURRENT ASSETS			
Restricted cash and cash equivalents	64,065,581	90,397,156	-29%
Long-term investments	695,380	929,524	-25%
Loans to students	129,168	136,777	-6%
Net OPEB asset	9,521,345	4,891,336	95%
Capital assets - net	411,211,886	392,550,252	5%
Total Noncurrent Assets	485,623,360	488,905,045	-1%
Total Assets	546,282,486	528,007,117	3%
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows of resources - pensions	17,259,939	6,290,790	174%
Deferred amount on debt refunding	9,707,489	4,623,729	110%
TOTAL ASSETS AND DEFERRED OUTFLOWS	573,249,914	538,921,636	6%
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	10,308,669	11,118,642	-7%
Advances from grantors and students	21,464,359	15,260,360	41%
Other current liabilities	15,945,661	13,879,973	15%
Total Current Liabilities	47,718,689	40,258,975	19%
NONCURRENT LIABILITIES			
Long-term liabilities - noncurrent portion	446,665,827	418,044,895	7%
Total Liabilities	494,384,516	458,303,870	8%
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	8,640,000	21,296,250	-59%
NET POSITION			
Net investment on capital assets	97,336,640	123,412,700	-21%
Restricted	23,226,039	19,301,662	20%
Subtotal	120,562,679	142,714,362	-16%
Unrestricted:			
General Reserve	9,600,000	9,600,000	0%
Contingency reserve and other designations	(59,937,281)	(92,992,846)	-36%
Total Unrestricted	(50,337,281)	(83,392,846)	-40%
Total Net Position	$ 70,225,398	$ 59,321,516	18%

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 U.S. treasuries and bond mutual funds 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 $18.7 million was added to net capital assets as a result of construction in progress in the General Obligation Bond Funds. The footnotes to the financial statements contain a breakdown of the net capital assets.

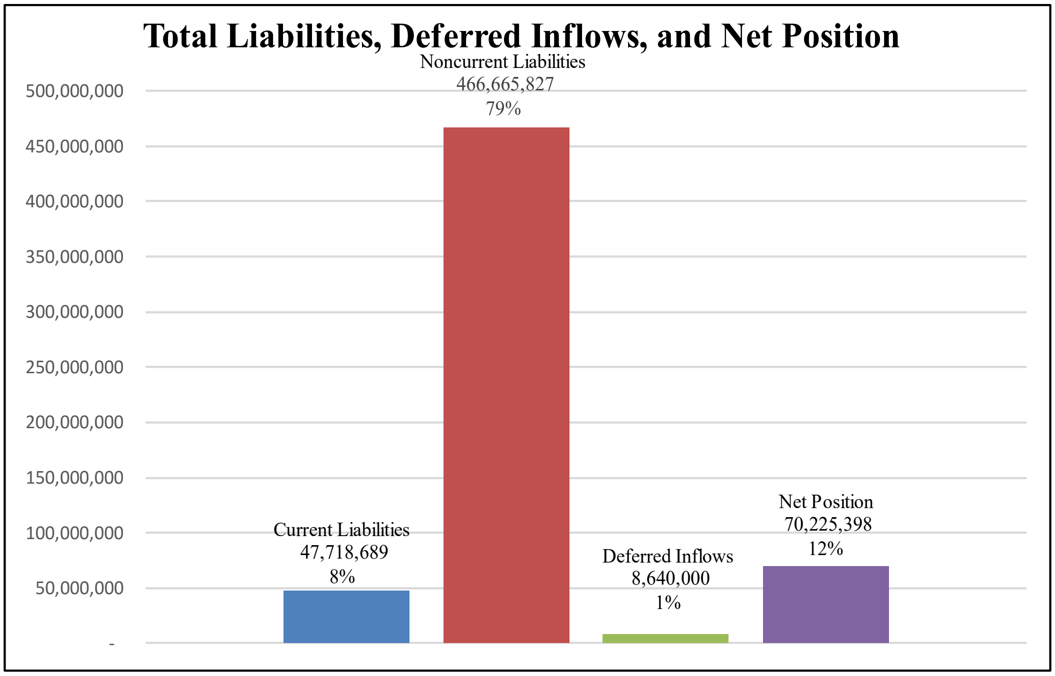
Accounts payable and accrued liabilities consist mainly of accrued payroll and payables due to vendors.

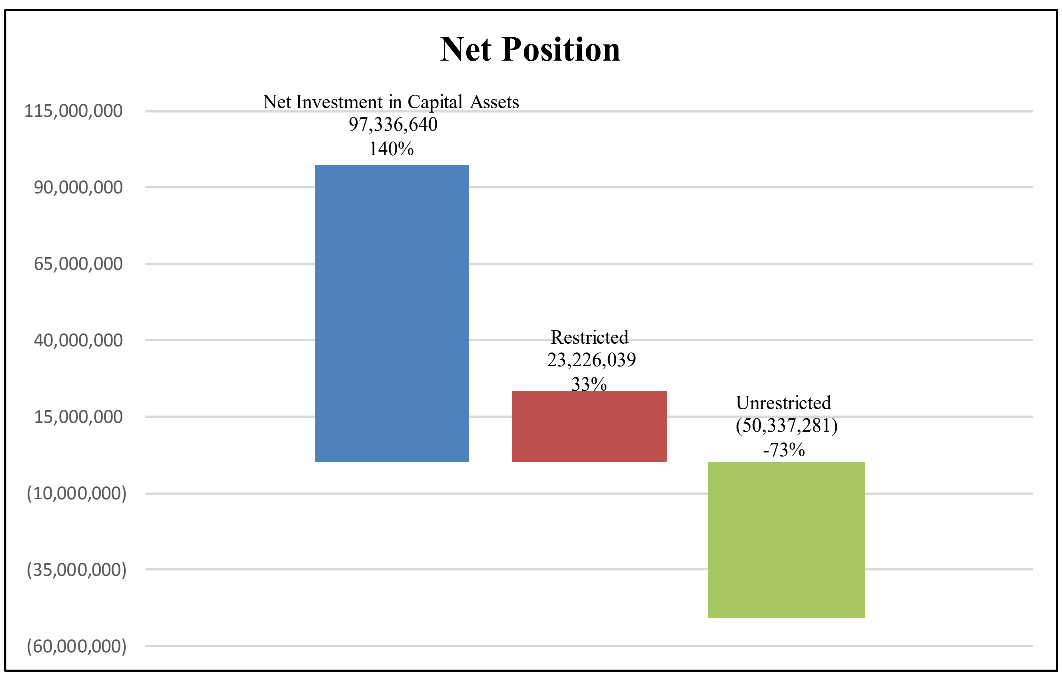
Advances from grantors and students relate to federal, state, and local program funds received but not yet earned as of the end of the fiscal year. Most grant funds are earned when expended (up to the grant amount awarded). Also included are unearned enrollment fees for the 2016-17 fiscal year.

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. The net pension liability of $86,376,000 and the general obligation bonds of $288,021,051 are the major components of the noncurrent portion.

The 5% general reserve requirement per the State Chancellor's Office has been met and exceeded. Restricted net position consists primarily of net position held in the Capital Outlay Projects Fund for scheduled maintenance and special repairs and in the Bond Interest and Redemption Funds.

Contingency reserve and other designations consists mainly of the CalPERS and CalSTRS pension liability of approximately $86 million.


Total Liabilities, Deferred Inflows, and Net Position
500,000,000
450,000,000
400,000,000
350,000,000
300,000,000
250,000,000
200,000,000
150,000,000
100,000,000
50,000,000
-
Current Liabilities
47,718,689
8%
Noncurrent Liabilities
466,665,827
79%
Deferred Inflows
8,640,000
1%
Net Position
70,225,398
12%


Net Position
115,000,000
90,000,000
65,000,000
40,000,000
15,000,000
(10,000,000)
(35,000,000)
(60,000,000)
Net Investment in Capital Assets
97,336,640
140%
Restricted
23,226,039
33%
Unrestricted
(50,337,281)
-73%

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

The statements of revenues, expenses, and changes in net position 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.

	2016	2015	Change
Revenues			
Operating Revenues:			
Net tuition and fees	$ 6,659,685	$ 6,959,570	-4%
Grants, contracts, and other designated revenues	47,471,365	31,692,010	50%
Auxiliary enterprise, net	5,572,202	5,799,942	-4%
Other Operating Income	1,108,910	861,491	29%
Total Operating Revenues	60,812,162	45,313,013	34%
Total Operating Expenses	177,129,112	156,258,209	13%
Operating Loss	(116,316,950)	(110,945,196)	5%
Nonoperating revenues (expenses)			
State apportionments - noncapital	48,006,337	47,626,367	1%
Local property taxes	37,524,826	33,636,987	12%
Lottery and other revenue	33,694,481	35,045,017	-4%
Interest Expense - Capital	(9,933,286)	(18,461,597)	-46%
Investment income	885,903	494,017	79%
Other nonoperating revenues (expenses) - net	873,116	1,446,184	-40%
Total Nonoperating Revenues (Expenses)	111,051,377	99,786,975	11%
Loss before other revenues, expenses, gains, or losses	**(5,265,573)**	**(11,158,221)**	53%
Apportionment and property taxes - capital	16,169,455	12,456,023	30%
Increase in Net Position	10,903,882	1,297,802	740%
Net Position, beginning of year	59,321,516	58,023,714	2%
Net Position, end of year	$ 70,225,398	$ 59,321,516	18%

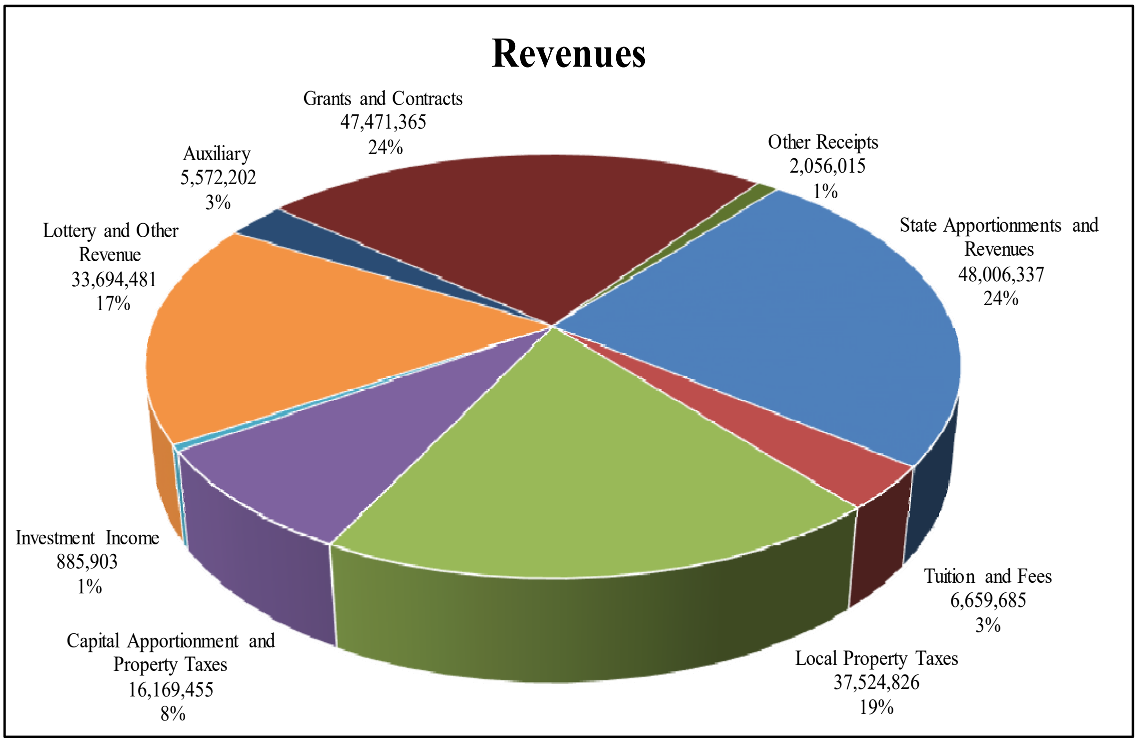
REVENUES

Net tuition and fees consist of enrollment fees of $6,659,685; nonresident tuition of $452,227 and all other fees of $1,930,549. Regular enrollment fees are set by the State for all community colleges and were $46 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 non-instructional fees.

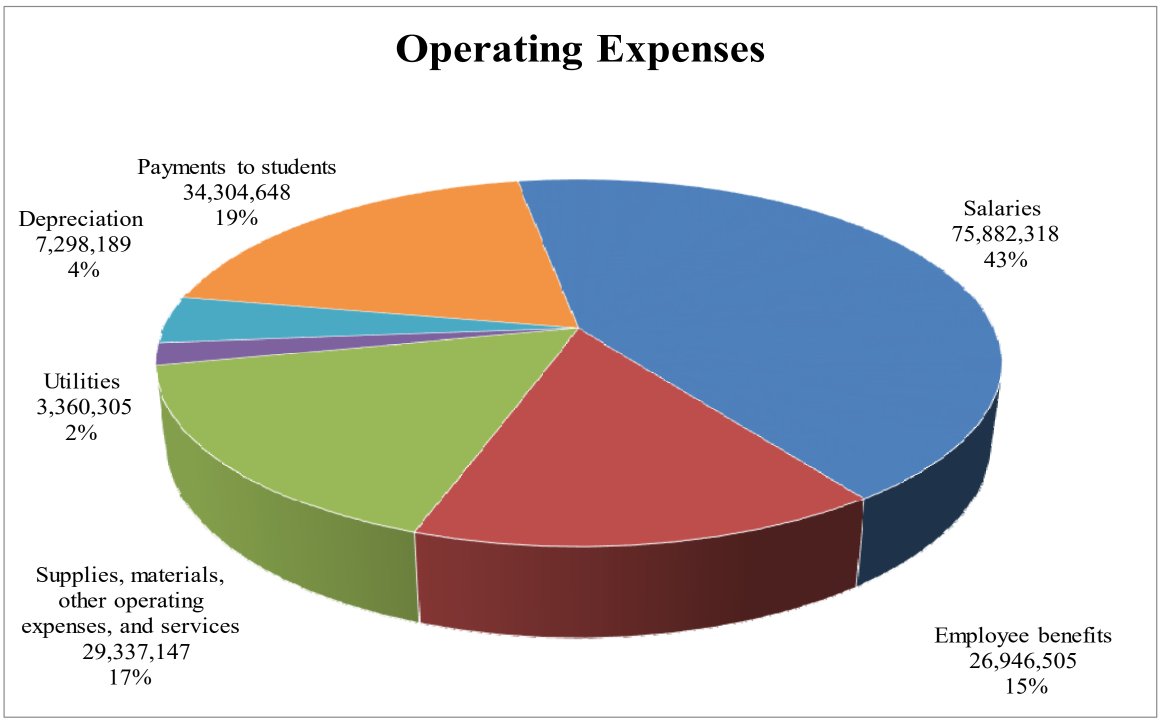
State apportionment represents total general apportionment earned less regular enrollment fees and property taxes.

Lottery and other revenues consist of Pell grant revenue of $29,197,821, unrestricted state lottery revenue of $2,941,872, and other state revenues of $1,554,788.



OPERATING EXPENSES (BY NATURAL CLASSIFICATION – ALL FUNDS)

	2016	2015	Change
Salaries	$ 75,882,318	$ 69,662,335	9%
Employee benefits	26,946,505	26,776,865	1%
Supplies, materials, other operating expenses, and services	29,337,147	14,567,123	101%
Utilities	3,360,305	3,450,295	-3%
Depreciation	7,298,189	6,553,503	11%
Payments to students	34,304,648	35,248,088	-3%
Total Operating Expenses	$ 177,129,112	$ 156,258,209	13%



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.

	2016	2015
Cash provided (used) by:		
Operating activities	$ (111,259,278)	$ (100,882,656)
Noncapital financing activities	119,757,697	128,336,019
Capital and related financing activites	(13,722,056)	(34,559,136)
Investment activities	602,568	360,639
Net Decrease in Cash	(4,621,069)	(6,745,134)
Cash, beginning of year	119,727,784	126,472,918
Cash, end of year	$ 115,106,715	$ 119,727,784

FUTURE ECONOMIC OUTLOOK

CALSTRS and CALPERS Rate Increases

Both CalSTRS and CalPERS identified funding gaps in the 2013-2014 fiscal year. Community College Districts received a directive from CALSTRS identifying the CalSTRS funding gap and notifying community college districts that through gradual shared contribution rate increases over 32 years by Cal STRS members, employers, and the State of California, that CalSTRS will be fully funded.

CalSTRS member contribution and state contribution rate increases are set in statute to increase each year through the 2016-2017 fiscal years. CalSTRS employer rate increases are set in statue to increase through the 2020-2021 fiscal year. These rate increases can be adjusted by the CalSTRS board on a limited basis after those years until June 30, 2046.

Increases in member and employer contribution rates are only for creditable compensation under the defined Benefit Program paid to CalSTRS members for service performed after July 1, 2014. The Yosemite Community College District calculated the estimated increased cost for employer contributions to CalSTRS based on the statutory rate increases over six years and transferred fund balance contingency to the Pension Rate Stabilization Program trust fund to cover the increased CalSTRS contribution cost for the next two years as of June 30, 2016.

Similarly, the CalPERS Board made decisions regarding the funding of pension benefits at CalPERS. Effective January 1, 2015 CalPERS employer contribution rates increased. The District calculated the cost associated with the CalPERS employer rate increases over six years and established a fund balance contingency to cover the increased CalPERS contribution cost for the next two years. The District also transferred this fund balance contingency to the Pension Rate Stabilization Program trust fund as of June 30, 2016.

In addition to the fund balance contingency that was set aside in fiscal year 2014-2015, approximately $2.7 million, that was subsequently transferred to the Pension Rate Stabilization trust fund, the District also elected to transfer approximately $3.5 million in one-time funds to the trust fund. This trust fund allows for the District to reimburse itself for increased pension costs each year until there are no longer any funds in the trust. This is why it is essential to note that as new on-going revenues are earned, they will be used first to cover the on-going increased pension costs.

Employer rates are as follows:

Fiscal Year	CalSTRS	CalPERS	Estimated Increased Costs
2014-2015	8.88%	11.77%	$ 383,077
2015-2016	10.73%	11.85%	1,004,103
2016-2017	12.58%	13.89%	1,226,405
2017-2018	14.43%	15.50%	1,030,528
2018-2019	16.28%	17.10%	1,027,286
2019-2020	18.13%	18.60%	1,006,095
2020-2021	19.10%	19.80%	614,591
		Total	$ 6,292,085

ASSETS	
Current assets:	
Cash and cash equivalents	$ 51,041,134
Receivables, net	8,083,619
Inventory	1,178,700
Prepaid expenses	355,673
Total current assets	60,659,126
Noncurrent assets:	
Restricted cash and cash equivalents	64,065,581
Investments	695,380
Loans to students	129,168
Net OPEB asset	9,521,345
Nondepreciable capital assets	146,557,897
Depreciable capital assets, net	264,653,989
Total noncurrent assets	485,623,360
Total assets	546,282,486
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow of resources - pensions	17,259,939
Deferred amount on debt refunding	9,707,489
Total deferred outflows of resources	26,967,428
Total assets and deferred outflows of resources	$ 573,249,914
LIABILITIES	
Current liabilities:	
Accounts payable	$ 5,411,622
Unearned revenue	21,464,359
Accrued salaries and benefits payable	4,897,047
Other accrued liabilities	5,212,945
Amounts held in trust for others	601,221
Long-term liabilities, current portion	10,131,495
Total current liabilities	47,718,689
Noncurrent liabilities:	
Long-term liabilities, net of current portion	446,665,827
Total liabilities	494,384,516
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	8,640,000
NET POSITION	
Net investment in capital assets	97,336,640
Restricted for debt service	13,855,075
Restricted for capital projects	9,370,964
Unrestricted	(50,337,281)
Total net position	70,225,398
Total liabilities, deferred inflows of resources and net position	$ 573,249,914

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

Operating revenues:	
Tuition and fees	$ 20,473,071
Less: scholarship discounts and allowances	(13,813,386)
Net tuition and fees	6,659,685
Grants and contracts, non-capital:	
Federal	8,391,851
State	34,350,496
Local	4,729,018
Other operating receipts	1,108,910
Auxiliary enterprise sales and charges	5,572,202
Total operating revenues	60,812,162
Operating expenses:	
Salaries	75,882,318
Employee benefits	26,946,505
Supplies, materials, and other operating expenses	27,586,525
Equipment, maintenance and repairs	1,750,622
Utilities	3,360,305
Depreciation	7,298,189
Payments to students	34,304,648
Total operating expenses	177,129,112
Loss from operations	(116,316,950)
Non-operating revenues:	
State apportionments	48,006,337
Local property taxes, non-capital	37,524,826
State taxes and other revenues	4,496,660
Pell grants	29,197,821
Interest expense	(9,933,286)
Investment income, net	885,903
Loss on disposal of assets	(73,989)
Other non-operating revenues	947,105
Total non-operating revenues	111,051,377
Loss before capital contributions	(5,265,573)
Capital contributions:	
Local property taxes and revenues, capital	16,169,455
Change in net position	10,903,882
Net position, July 1, 2015	59,321,516
Net position, June 30, 2016	$ 70,225,398

See accompanying notes to the basic financial statements.

Cash flows from operating activities:	
Tuition and fees	$ 7,230,821
Federal, state and local grants and contracts	53,742,175
Payments to suppliers	(34,651,454)
Payments to / on behalf of employees	(109,965,393)
Payments to / on behalf of students	(34,296,539)
Auxiliary enterprises sales and charges	5,572,202
Other operating revenues	1,108,910
Net cash used in operating activities	(111,259,278)
Cash flows from noncapital financing activities:	
State apportionment and receipts	48,076,108
Property taxes	37,524,826
State taxes and other revenues	4,496,660
Pell grants	29,197,821
Amounts held in trust	(7,918)
Other receipts	470,200
Net cash provided by noncapital financing activities	119,757,697
Cash flows from capital and related financing activities:	
Purchases of capital assets	(17,254,019)
Principal paid on capital debt	(4,043,498)
Interest paid on capital debt	(9,111,473)
Interest and dividends from capital investments	517,479
Local property taxes and other revenues for capital	16,169,455
Net cash used in capital and related financing activities	(13,722,056)
Cash flows from investing activities:	
Interest on investments	415,184
Purchase of investments	187,384
Net cash provided by investing activities	602,568
Net change in cash and cash equivalents	(4,621,069)
Cash and cash equivalents, beginning of year	119,727,784
Cash and cash equivalents, end of year	$ 115,106,715

(Continued)

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (116,316,950)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	7,298,189
Changes in assets and liabilities:	
Receivables	(141,833)
Inventory	62,742
Prepaid expenses	(176,460)
Loans to students	7,609
OPEB asset	(4,630,009)
Deferred outflows of resources - pensions	(3,416,699)
Accounts payable	(1,163,141)
Unearned revenue	6,865,617
Accrued salaries and benefits payable	353,168
Other accrued liabilities	(558,481)
Compensated absences	312,220
Net pension liability	12,901,000
Deferred inflows of resources - pensions	(12,656,250)
Net cash used in operating activities	$ (111,259,278)

Supplementary disclosure of non-cash transactions:

Amortization of premiums on debt	$ 812,719
Amortization of deferred amount on refunding	$ 355,671
Accretion of interest	$ 10,026,902

During the year ended June 30, 2016, the District issued general obligation refunding bonds to refund existing debt outstanding. The proceeds from the refunding issuance totaled $139,840,081 for the future defeasance of $126,190,000 of previously outstanding general obligation bonds.

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

		OPEB Trust
ASSETS		
Cash and cash equivalents	$	903,580
Investments:		
Mutual funds - equities		15,796,231
Mutual funds - fixed income		11,620,216
Total assets	$	28,320,027
NET POSITION		
Total net position held in trust for plan participants	$	28,320,027

See accompanying notes to the basic financial statements.

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

	OPEB Trust
Additions:	
Contributions:	
Employer	$ 5,937,077
Plan member	571,605
Total contributions	6,508,682
Net investment income:	
Net depreciation in the fair value of plan investments	(680,801)
Interest and dividends	540,270
Investment expenses	(167,394)
Total net investment income	(307,925)
Total additions	6,200,757
Deductions:	
Benefits	3,252,367
Excess of additions over deductions	2,948,390
Net position held in trust for plan participants, July 1, 2015	25,371,637
Net position held in trust for plan participants, June 30, 2016	$ 28,320,027

See accompanying notes to the basic financial statements.

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

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

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America and GASB Cod. Sec. 2100. 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 has no component units for the year ended June 30, 2016.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 position.

Investments: Long-term investments are reported at fair value. 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 Local Agency Investment Fund (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.

(Continued)

NOTE 2 - 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, 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 reimbursements of allowable expenditures made pursuant to the District's grants and contracts. The District provides for an allowance for uncollectible accounts as an estimation of amounts they may not receive. The allowance is based on management's estimates and historical analysis and was $344,160 at June 30, 2016.

Inventory: Inventory consists of stores supplies, cafeteria food, and textbooks. Except for bookstore inventories, which are valued using the retail method, inventories are stated at the lower of cost (first-in, first-out method) or market.

Capital Assets: Capital assets are recorded at cost on the date of acquisition or acquisition value at the date of donation. 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, 30 years for building improvements or additions, 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.

The District capitalizes interest paid on obligations related to the acquisition, construction or rehabilitation of District capital assets. Interest cost and interest capitalized totaled $9,933,286 and $8,779,793, respectively, during the year ended June 30, 2016.

Unearned Revenue: Revenue from Federal, State and local special projects and programs is recognized when qualified expenditures have been incurred. Tuition, fees and other support received but not earned are recorded as unearned revenue until 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 absences costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year-end as liabilities of the District.

Accumulated Sick Leave: 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.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. During the year ended June 30, 2016, the District refunded debt which resulted in an additional deferred loss on refunding of $12,991,881. Amortization of deferred losses on refunding for the year ended June 30, 2016 totaled $355,671. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the statement of net position. Amortization for the year ended June 30, 2016 totaled $4,197,000.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the statement of net position. Amortization for the year ended June 30, 2016 totaled $701,000.

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

	CalSTRS	CalPERS	Total
Deferred outflows of resources	$ 3,955,353	$ 5,752,136	$ 9,707,489
Deferred inflows of resources	$ 4,862,000	$ 3,778,000	$ 8,640,000
Net pension liability	$ 49,494,000	$ 36,882,000	$ 86,376,000
Pension expense	$ 5,252,080	$ 1,864,465	$ 7,116,545

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

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

Restricted net position: Restricted expendable net position include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2016, there is no balance of nonexpendable restricted net position.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Classification of Revenues and Expenses: The District has classified its revenues as either operating or nonoperating revenues. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. Co5.101 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 and expenses: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most Federal, State and local grants and contracts and Federal appropriations. All expenses are considered operating expenses except for interest expense on capital related debt.

Nonoperating revenues and expenses: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as Pell grants, gifts and contributions, and other revenue sources described in GASB Cod. Sec. Co5.101, such as State appropriations and investment income. Interest expense on capital related debt is the only non-operating expense.

Scholarship Discounts and Allowances: Student tuition and fee revenue are reported net of the Board of Governors fee waivers and allowances in the statement of revenues, expenses and change in net position. Certain governmental grants, and other federal, state and nongovernmental programs are recorded as operating revenues, while Federal Pell Grants are classified as non-operating revenues in the District’s financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

Risk Management: The District retains risk for property damage on the first $5,000 of each claim. The District retains risk on the first $1,500 of each auto physical damage claim. The District retains no risk for general and auto liability and for workers' compensation claims, and coverage is provided by pooled insurance as a member.

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. There have been no significant reductions in insurance coverage from coverage in the prior year.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

(Continued)

NOTE 2 - 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.

General Apportionment and Property Tax: The District's general apportionment is received from a combination of local property taxes, state apportionments, and other local sources.

The counties are responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the counties. Secured property taxes attach as an enforceable lien on property as of January 1. Property taxes on the secured roll are due on November 1 and February 1 and become delinquent after December 10 and April 10, respectfully. Unsecured property taxes are payable in one installment on or before August 31.

Secured property taxes are recorded as revenue when apportioned in the fiscal year of the levy. The counties apportion secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes based upon historical collection percentages and a true up of the balance of the adjusted secured tax roll in June.

Property taxes are recorded as local revenue sources by the District. The California Community Colleges Chancellor's Office reduces the District's entitlement by the District's local property tax revenue and student fees. The balance is paid from the State's General Fund and is referred to as the state apportionment. The District's base revenue is the amount of general purpose tax revenue, per full-time equivalent student (FTES) that the District is entitled to by law. Any prior year corrections due to a recalculation will be recorded in the year completed by the State. When known and measurable, these recalculations and corrections are accrued in the year in which FTES are generated.

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following is a summary of cash and cash equivalents at June 30, 2016:

Cash in county treasury	$ 98,239,411
Cash in banks	7,073,545
Cash with fiscal agent	6,212,141
Cash on hand	75,213
Certificates of deposit	2,473,890
Money market mutual funds	1,032,515
Total cash and cash equivalents	115,106,715
Less: Restricted cash and cash equivalents	64,065,581
Net cash and cash equivalents	$ 51,041,134

(Continued)

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

The following is a summary of investments at June 30, 2016:

U.S. treasuries and agencies	$ 320,239
Corporate bonds	75,609
Bond mutual funds	129,053
Equity mutual funds	86,237
Equity securities	84,242
Total investments	$ 695,380

Cash in County Treasury: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the 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 County Treasurer has indicated that there are no derivatives in the pool as of June 30, 2016.

Cash with Fiscal Agent: Cash with Fiscal Agent represents funds held for future pension costs in a trust administered by the Public Agency Retirement Services ("PARS"). At June 30, 2016, the funds are held with a bank in a money market account and recorded at cost.

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 does not have a deposit policy for custodial credit risk. The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation ("FDIC") and are collateralized by the respective financial institution. At June 30, 2016, the carrying amount of the District's cash in banks was $7,073,535 and the bank balance was $7,006,307. The bank balance amount insured was $500,000.

Cash and cash equivalents of $903,580 and investments of $27,416,447 held in the OPEB trust fund are not insured.

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 the financial institutions that is not insured is collateralized.

(Continued)

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

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.

		S&P's Rating as of Year End						
	Fair Value	AAA	AA+	AA	AA-	A	A-	Unrated
U.S. treasuries and agencies	$ 320,239	$ 264,244	$ -	$ -	$ -	$ -	$ -	$ 55,995
Corporate bonds	75,609	-	20,540	25,271	-	7,252	22,546	-
Bond mutual funds	129,053	-	100,671	28,382	-	-	-	-
Equity mutual funds	86,237	-	-	-	-	-	-	86,237
Equity securities	84,242	-	-	-	-	-	-	84,242
Total	$ 695,380	$ 264,244	$ 121,211	$ 53,653	$ -	$ 7,252	$ 22,546	$ 226,474

Concentration of Credit Risk – Investments: The portion 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 total investments.

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, investments for amounts held in trust for others may have longer maturities due to specific donor requirements. This is allowed according to the District Board Policy 3320. The schedule of maturities at June 30, 2016, is as follows:

		Maturity (in Years)		
Investment Type	Fair Value	Less than1	1-5	6-10
U.S. treasuries and agencies	$ 320,239	$ 63,349	$ 256,890	$ -
Corporate bonds	75,609	17,800	39,569	18,240
Bond mutual funds	129,053	8,685	120,368	-
Equity mutual funds	86,237	86,237	-	-
Equity securities mutual funds	84,242	84,242	-	-
Totals	$ 695,380	$ 260,313	$ 416,827	$ 18,240

NOTE 4 - FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments: The following methods and assumptions were used by the District to estimate the fair value of its financial instruments at June 30, 2016.

Fair Value Hierarchy: Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

(Continued)

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets Recorded at Fair Value: The following table presents information about the District's assets measured at fair value on a recurring basis as of June 30, 2016:

	Total	Level 1	Level 2	Level 3
Investments:				
U.S. treasuries and agencies	$ 320,239	$ -	$ 320,239	$ -
Corporate bonds	75,609	-	75,609	-
Bond mutual funds	129,053	129,053	-	-
Equity mutual funds	86,237	86,237	-	-
Equity securities	84,242	84,242	-	-
Total	$ 695,380	$ 299,532	$ 395,848	$ -

The following table presents information about the OPEB Trust's assets measured at fair value on a recurring basis as of June 30, 2016:

	Total	Level 1	Level 2	Level 3
Investments:				
Mutual funds - equities	$ 15,796,231	$ 15,796,231	$ -	$ -
Mutual funds - fixed income	11,620,216	11,620,216	-	-
Total	$ 27,416,447	$ 27,416,447	$ -	$ -

Equity stocks and mutual funds, valued at closing prices from securities exchanges are classified as Level 1 investments. Fixed income securities, such as corporate bonds and treasury notes, are valued using various methods including pricing models and are classified as Level 2 investments.

During the year ended June 30, 2016, there were no significant transfers in or out of Level 1.

There were no assets or liabilities measured at fair value on a non-recurring basis at June 30, 2016.

As of June 30, 2016, the carrying amounts of cash and cash equivalents, receivables and accounts payable approximate fair value because of the relatively short maturities of these financial instruments.

(Continued)

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable net of allowance for uncollectible accounts consisted of the following at June 30, 2016:

State grants and contracts	$ 4,787,058
Federal grants and contracts	1,887,826
Local grants and contracts	220,256
Enrollment	189,829
Other	998,650
Total	$ 8,083,619

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, is as follows:

	Balance July 1, 2015	Additions and Transfers	Deductions and Transfers	Balance June 30, 2016
Non-depreciable:				
Construction in progress	$162,344,524	$ 24,252,642	$ (56,045,273)	$130,551,893
Land	16,006,004	-	-	16,006,004
Depreciable:				
Site improvements	19,678,714	4,198,789	-	23,877,503
Buildings and improvements	234,178,559	51,846,484	-	286,025,043
Equipment	28,808,587	1,781,170	(2,567,783)	28,021,974
Total	461,016,388	82,079,085	(58,613,056)	484,482,417
Less accumulated depreciation:				
Site improvements	3,685,473	1,262,132	-	4,947,605
Buildings and improvements	43,752,326	4,481,976	-	48,234,302
Equipment	21,028,337	1,554,081	(2,493,794)	20,088,624
Total	68,466,136	7,298,189	(2,493,794)	73,270,531
Capital assets, net	$392,550,252	$ 74,780,896	$ (56,119,262)	$411,211,886

NOTE 7 - UNEARNED REVENUE

Unearned revenue consisted of the following at June 30, 2016:

State grants and contracts	$ 15,465,952
Local sources	3,190,667
Student fees	2,306,380
Federal grants and contracts	501,360
Total	$ 21,464,359

(Continued)

NOTE 8 - LONG TERM LIABILITIES

On April 19, 2005, the District issued $92,015,000 of 2004 General Obligation Bonds Series 2005A. The Bonds were issued to finance the acquisition, construction and modernization of certain District property and facilities and to refinance certain outstanding lease obligations of the District. The Bonds were partially refunded during the fiscal year ended June 30, 2013 with the remaining Bonds refunded during the fiscal year ended June 30, 2016.

On March 19, 2008, the District issued $150,000,000 of 2004 General Obligation Bonds Series 2008C bonds to finance the repair, construction, equipping and acquisition of certain District property and facilities and to pay the costs of bond issuance. The current interest bonds of $110,000,000 were refunded during the fiscal year ended June 30, 2016. Capital Appreciation Bonds of $40,000,000, mature August 1, 2016 through August 1, 2025 with interest accreting at 6.05%, compounded semiannually each year and due upon maturity.

Unamortized premiums and accreted interest on the capital appreciation bonds were $1,268,503 and $18,444,110 at June 30, 2016, respectively.

The following is a schedule of future payments for the Series 2008C General Obligation Bonds:

	Principal	Interest	Total
2017	$ 2,422,785	$ 5,500,000	$ 7,922,785
2018	2,572,192	5,500,000	8,072,192
2019	2,742,175	5,500,000	8,242,175
2020	2,955,151	5,500,000	8,455,151
2021	3,088,688	5,500,000	8,588,688
2022-2026	16,996,070	27,500,000	44,496,070
Totals	$ 30,777,061	$ 55,000,000	$ 85,777,061

On May 12, 2010, the District issued $81,728,980 of 2004 General Obligation Bonds Series 2010D bonds to finance the repair, construction, equipping and acquisition of certain District property and facilities and to pay the costs of bond issuance. Current interest bonds of $3,950,000 bear interest ranging from 2.00% and 5.00% and mature through August 1, 2026. Interest payments are due semiannually on February 1 and August 1 of each year. Capital appreciation bonds of $20,865,753, maturing through August 1, 2040 with interest accreting at 6.05%, compounded semiannually each year and due upon maturity. Convertible capital appreciation bonds of $56,913,237 mature through August 1, 2042 and accrete interest semiannually at 6.55% until August 1, 2032 when the accreted value bears interest and is payable semiannually on February 1 and August 1 of each year.

Unamortized premiums were $947,860 and accreted interest on the capital appreciation bonds and convertible capital appreciation bonds were $35,026,822 at June 30, 2016.

(Continued)

NOTE 8 - LONG TERM LIABILITIES (Continued)

The following is a schedule of future payments for the Series 2010D General Obligation Bonds:

	Principal	Interest	Total
2017	$ 100,000	$ 137,766	$ 237,766
2018	140,000	133,729	273,729
2019	125,000	129,457	254,457
2020	190,000	124,048	314,048
2021	200,000	117,333	317,333
2022-2026	1,490,000	429,248	1,919,248
2027-2031	1,295,000	28,683	1,323,683
2032-2036	21,525,438	148,932,698	170,458,136
2037-2041	34,230,276	254,825,481	289,055,757
2042-2043	22,023,276	151,927,202	173,950,478
Totals	$ 81,318,990	$ 556,785,645	$ 638,104,635

On July 24, 2012, the District issued $59,205,000 of 2012 General Obligation Refunding Bonds. Proceeds were used to refund a portion of the outstanding Series 2005A General Obligation Bonds and to pay the costs of issuing the 2012 Refunding Bonds. The 2012 Refunding Bonds are general obligations of the District payable solely from ad valorem property taxes. The 2012 Refunding Bonds mature through August 1, 2029 and bear interest at rates ranging from 2.00% to 5.00% with interest due semiannually on August 1 and February 1. For financial reporting purposes, the refunded debt has been considered defeased and therefore removed from the District's financial statements. On June 30, 2016, $52,235,000 of bonds outstanding are considered defeased.

Unamortized premiums on the 2012 Refunding Bonds were $4,998,062 at June 30, 2016.

The following is a schedule of the future payments for the 2012 Refunding Bonds:

	Principal	Interest	Total
2017	$ 1,515,000	$ 2,014,441	$ 3,529,441
2018	2,850,000	1,968,888	4,818,888
2019	3,030,000	1,934,753	4,964,753
2020	3,070,000	1,858,345	4,928,345
2021	3,350,000	1,733,950	5,083,950
2022-2026	21,585,000	6,207,694	27,792,694
2027-2030	20,320,000	1,340,585	21,660,585
Totals	$ 55,720,000	$ 17,058,656	$ 72,778,656

(Continued)

NOTE 8 - LONG TERM LIABILITIES (Continued)

On July 28, 2015, the District issued $120,205,000 of 2015 General Obligation Refunding Bonds. Proceeds were used to refund the outstanding Series 2005A General Obligation Bonds, advance refund a portion of the Series 2008C General Obligation Bonds, and to pay the costs of issuing the 2015 Refunding Bonds. The 2015 Refunding Bonds are general obligations of the District payable solely from ad valorem property taxes. The 2015 Refunding Bonds mature through August 1, 2032 and bear interest at rates ranging from 2.00% to 5.00% with interest due semiannually on August 1 and February 1. For financial reporting purposes, the refunded debt has been considered defeased and therefore removed from the District's financial statements. On June 30, 2016, $126,190,000 of bonds outstanding are considered defeased.

Unamortized premiums on the 2015 Refunding Bonds were $5,893,284 at June 30, 2016.

Calculation of Difference in Cash Flow Requirements and Economic Gain

Cash Flow Difference

Old debt service cash flows	$ 213,370,250
New debt service cash flows	200,822,633
	$ 12,547,617

Economic Gain

The economic gain or difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate is $9,196,359.

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

The following is a schedule of the future payments for the 2015 Refunding Bonds:

	Principal	Interest	Total
2017	$ 1,290,000	$ 5,530,722	$ 6,820,722
2018	510,000	5,785,513	6,295,513
2019	550,000	5,766,704	6,316,704
2020	575,000	5,741,890	6,316,890
2021	630,000	5,712,160	6,342,160
2022-2026	4,135,000	28,004,635	32,139,635
2027-2031	83,370,000	19,405,498	102,775,498
2032-2033	29,145,000	2,359,770	31,504,770
Totals	$ 120,205,000	$ 78,306,892	$ 198,511,892

(Continued)

NOTE 8 - LONG TERM LIABILITIES (Continued)

The long-term liabilities activity for the year ended June 30, 2016, is as follows:

	Beginning, Balance	Additions	Payments and Reductions	Ending Balance	Current Portion
General obligation bonds	$ 298,049,549	$ 120,205,000	$ 130,233,498	$ 288,021,051	$ 5,327,785
Unamortized bond premiums	7,769,272	19,635,081	812,719	26,591,634	908,790
Accreted interest	44,675,533	10,026,902	1,231,503	53,470,932	1,557,215
Net pension liability	73,475,000	12,901,000	-	86,376,000	-
Compensated absences	2,025,485	312,220	-	2,337,705	2,337,705
Total	$ 425,994,839	$ 163,080,203	$ 132,277,720	$ 456,797,322	$ 10,131,495

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

General Information about the State Teachers' Retirement Plan

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

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

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

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

CalSTRS 2% at 60

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

(Continued)

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

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

CalSTRS 2% at 62

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

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

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

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

Members – Under CalSTRS 2% at 60, the member contribution rate was 9.20 percent of applicable member earnings for fiscal year 2015-16. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.15 percent of applicable member earnings for fiscal year 2015-16.

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

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

(Continued)

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

Employers – 10.73 percent of applicable member earnings.

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

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

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

The District contributed $3,955,353 to the plan for the fiscal year ended June 30, 2016.

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

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

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

(Continued)

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

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

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

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

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

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

District's proportionate share of the net pension liability	$ 49,494,000
State's proportionate share of the net pension liability associated with the District	26,177,000
Total	$ 75,671,000

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2015, the District's proportion was 0.074%, which was an decrease of 0.002% from its proportion measured as of June 30, 2014.

(Continued)

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

For the year ended June 30, 2016, the District recognized pension expense of $5,252,080 and revenue of $2,689,005 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 827,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	4,035,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	3,955,353	-
Total	$ 3,955,353	$ 4,862,000

$3,955,353 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	$ (1,807,933)
2018	$ (1,807,933)
2019	$ (1,807,934)
2020	$ 836,800
2021	$ (138,000)
2022	$ (137,000)

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

(Continued)

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

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

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

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

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

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

* 10-year geometric average

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

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

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

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	$ 74,733,000	$ 49,494,000	$ 28,519,000

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

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

General Information about the Public Employer's Retirement Fund B

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

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

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

(Continued)

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

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

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

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

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

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

The District contributed $3,644,136 to the plan for the fiscal year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of $36,882,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2015, the District's proportion was 0.250%, which was a decrease of 0.010 percent from its proportion measured as of June 30, 2014.

(Continued)

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

For the year ended June 30, 2016, the District recognized pension expense of $1,864,465. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,108,000	$ -
Changes of assumptions	-	2,266,000
Net differences between projected and actual earnings on investments	-	1,263,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	249,000
Contributions made subsequent to measurement date	3,644,136	-
Total	$ 5,752,136	$ 3,778,000

$3,644,136 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	$ (430,666)
2018	$ (430,666)
2019	$ (430,668)
2020	$ (378,000)

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

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

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

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

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

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

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

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

* 10-year geometric average

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

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

The discount rate was 7.50 percent in 2015 and 7.65 percent in 2016.

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

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

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

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	$ 60,029,000	$ 36,882,000	$ 17,634,000

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

(Continued)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: In addition to the pension benefits described in Notes 9 and 10, 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. Employees hired prior to July 1, 2004, receive District paid healthcare benefits to the retiree's age of 70.

The District provides these benefits through the California Schools Boards Association GASB 45 Solutions Program (the "Trust"), a single-employer defined benefit OPEB plan. The Trust is administered by the Public Agency Retirement Services ("PARS"). The Trust is included in the District's financial report and separately presented as a fiduciary fund. The Trust does not issue separate financial statements.

The District's agreement with employees is for monthly contributions for members who meet the eligibility criteria of their collective bargaining agreement and who retire during the term of the contract. The contribution requirements for plan members are established and may be amended by the District's Board of Trustees through the collective bargaining process. The members receiving benefits contributions vary depending on the level of coverage selected. The District deposits the required contributions into the Trust and makes additional contributions on a discretionary basis.

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

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the District's net OPEB asset:

Annual required contribution	$ 1,342,123
Interest on net OPEB asset	(317,937)
Adjustment to annual required contribution	282,882
Annual OPEB cost (expense)	1,307,068
Contributions made	(5,937,077)
Increase in net OPEB asset	(4,630,009)
Net OPEB asset – beginning of year	(4,891,336)
Net OPEB asset – end of year	$ (9,521,345)

(Continued)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net Ending OPEB Asset
June 30, 2014	$ 1,842,290	65%	$ (2,903,169)
June 30, 2015	$ 1,826,190	209%	$ (4,891,336)
June 30, 2016	$ 1,307,068	454%	$ (9,521,345)

Funded Status and Funding Progress: As of December 1, 2015, the most recent actuarial valuation date, the plan was partially funded. The actuarial accrued liability for benefits was $30,744,082, and the actuarial value of assets was $26,899,154, resulting in an unfunded actuarial accrued liability (UAAL) of $3,844,928. The covered payroll (annual payroll of active employees covered by the Plan) was $58,495,456, and the ratio of the UAAL to the covered payroll was 7 percent. The actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) was 87 percent.

Actuarial Methods and Assumptions: In the December 1, 2015 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 6.50% investment rate of return, which is based on assumed long-term investment returns on plan assets, and an annual healthcare cost trend rate of 4.0%. A 2.75% inflation rate was assumed. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. As a result of the District's retroactive implementation, the initial unfunded actuarial accrued liability UAAL was established as of July 1, 1998. The District's initial unfunded actuarial liability is being amortized under the level percent method on a closed basis over 30 years while the residual UAAL is amortized under the level percent method on an open basis over 12 years. The remaining equivalent amortization period for the UAAL at June 30, 2016 is 17 years.

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

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

(Continued)

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Contingent Liabilities: The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

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

Construction Commitments: As of June 30, 2016, the District has approximately $18.1 million in outstanding commitments on construction contracts.

Operating Leases: The District entered into various operating leases with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation upon written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments are as follows:

Year Ending June 30,	
2017	$ 43,662
2018	40,833
2019	21,093
2020	9,847
2021	7,703
	$ 123,138

Rent expenses were $361,235 for the year ended June 30, 2016.

NOTE 13 - JOINT POWER AGREEMENTS

The District participates in joint ventures under joint power agreements with the following joint powers authorities (JPAs): Valley Insurance Program (VIP) and Self-Insured Schools of California (SISC III). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes. The JPAs arrange for and provide property, liability, workers' compensation, dental, vision, and excess liability coverage for their members. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA.

Each JPA is governed by a board consisting of representatives from the members. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the boards. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. The District's share of year end assets, liabilities, or fund equity is not calculated by the JPA's. Separately issued financial statements can be requested from each JPA.

(Continued)

NOTE 13 - JOINT POWER AGREEMENTS (Continued**)**

The District is also a member of the JPA, Tuolumne Public Power Agency (TPPA), whose members operate for the public benefit within Tuolumne County. TPPA supplies members electrical power at a rate below the current market rate. TPPA is not a component unit of the District for financial reporting purposes.

Condensed financial information of the JPAs for the most recent year available is as follows:

	VIP June 30, 2015	SISCIII September 30, 2015	TPPA June 30, 2015
Total assets	$ 21,414,561	$ 344,609,638	$ 2,093,257
Total liabilities	$ 4,872,322	$ 147,784,306	$ 362,247
Net position	$ 16,542,239	$ 196,825,332	$ 1,731,010
Total revenues	$ 5,826,193	$ 1,642,782,008	$ 1,899,926
Total expenses	$ 4,485,858	$ 1,591,548,088	$ 2,044,119
Change in net position	$ 1,340,335	$ 51,233,920	$ (144,193)

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
December 1, 2009	$ 14,892,238	$ 27,239,843	$ 12,347,605	55%	$ 54,571,501	23%
December 1, 2011	$ 21,653,181	$ 33,381,704	$ 11,728,523	65%	$ 52,777,883	22%
December 1, 2013	$ 23,977,872	$ 31,467,714	$ 7,489,842	76%	$ 52,595,921	14%
December 1, 2015	$ 26,899,154	$ 30,744,082	$ 3,844,928	87%	$ 58,495,456	7%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution (ARC)	Contributions	Percentage of ARC Contributed
June 30, 2009	$ 2,182,966	$ 17,561,538	804%
June 30, 2010	$ 2,216,414	$ 3,573,381	161%
June 30, 2011	$ 2,216,581	$ 2,274,724	103%
June 30, 2012	$ 2,169,245	$ 4,796,897	221%
June 30, 2013	$ 2,169,245	$ 2,773,397	128%
June 30, 2014	$ 1,753,417	$ 1,200,000	68%
June 30, 2015	$ 1,753,417	$ 3,814,357	218%
June 30, 2016	$ 1,342,123	$ 5,937,077	442%

State Teacher's Retirement Plan
Last 10 Fiscal Years

	2015	2016
District's proportion of the net pension liability	0.076%	0.074%
District's proportionate share of the net pension liability	$ 43,990,000	$ 49,494,000
State's proportionate share of the net pension liability associated with the District	26,563,000	26,177,000
Total net pension liability	$ 70,553,000	$ 75,671,000
District's covered-employee payroll	$ 33,529,000	$ 34,122,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131%	145%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%

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

All years prior to 2015 are not available.

(Continued)

Public Employers Retirement Fund B
Last 10 Fiscal Years

	2015	2016
District's proportion of the net pension liability	0.260%	0.250%
District's proportionate share of the net pension liability	$ 29,485,000	$ 36,882,000
District's covered-employee payroll	$ 27,265,000	$ 27,701,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	108.14%	133.14%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%

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

All years prior to 2015 are not available.

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016
Contractually required contribution	$ 3,030,075	$ 3,955,353
Contributions in relation to the contractually required contribution	$ 3,030,075	$ 3,955,353
District's covered-employee payroll	$ 34,122,000	$ 36,863,000
Contributions as a percentage of covered-employee payroll	8.88%	10.73%

All years prior to 2015 are not available.

(Continued)

Public Employers Retirement Fund B
Last 10 Fiscal Years

	2015	2016
Contractually required contribution	$ 3,260,715	$ 3,644,136
Contributions in relation to the contractually required contribution	$ 3,260,715	$ 3,644,136
District's covered-employee payroll	$ 27,701,000	$ 30,760,000
Contributions as a percentage of covered-employee payroll	11.77%	11.85%

All years prior to 2015 are not available.

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Other Postemployment Benefits Funding Progress

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

B - Schedule of Employer Contributions

The Schedule of Employer Contributions presents the actuarially determined annual required contribution (ARC) and the percentage of that ARC that was contributed by the District into the OPEB Trust fund. The fiscal year ended June 30, 2009 reflects a large contribution by the District to establish the OPEB Trust fund.

C - Schedule of the District’s Proportionate Share of the Net Pension Liability

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

D - Schedule of the District's Contributions

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

E - Changes of Benefit Terms

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

F - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund was 7.50 percent in 2015 and 7.65 percent in 2016. There are no changes in assumptions reported for the State Teachers' Retirement Plan.

SUPPLEMENTARY INFORMATION

The District, a political subdivision of the State of California, was established in 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.

ADMINISTRATION

Dr. Joan E. Smith
Chancellor

Ms. Teresa Scott
Executive Vice Chancellor

Dr. Gina Leguria
Vice Chancellor, Human Resources

Mr. Marty Gang
Assistant Vice Chancellor, Information Technology

Mr. Marc Beam
Associate Vice Chancellor, Institutional Research

Dr. Jill Stearns
President, Modesto Junior College

Dr. Angela Fairchilds
President, Columbia College

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Grant Number	Federal Expend-itures
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster:			
College Work Study Program	84.033	-	$ 636,530
Pell Grant Program	84.063	-	29,197,821
SEOG	84.007	-	657,760
Passed through California Department of Education:			
Nursing Student Loans	93.364	-	4,067
Subtotal Student Financial Aid Cluster			30,496,178
Direct Programs:			
TRIO Cluster:			
Talent Search	84.044	-	305,914
Upward Bound	84.047	-	376,906
Student Support Services	84.042	-	436,393
Subtotal TRIO Cluster			1,119,213
Higher Education - Institutional Aid Cluster:			
Higher Education - Institutional Aid, Strengthening Student Success	84.031S	-	187,641
Higher Education - Institutional Aid Improving Instruction	84.031A	-	903,923
Subtotal Higher Education - Institutional Aid Cluster			1,091,564
Race to the top	84.412	CN140187	34,419
Center for Excellence for Veteran Student Success	84.116G	-	106,701
Passed Through California Department of Education:			
Career and Technical Education Cluster:			
Block Grant	84.048	15-112-070	734,844
Leadership	84.048	15-171-001	36,284
Subtotal Career and Technical Education Cluster			771,128
Total U.S. Department of Education			33,619,203
Department of Veteran Affairs			
Direct Program:			
Post- Vietnam Era Veterans' Educational Assistance	64.120	-	785
U.S. Department of Housing And Urban Development			
Direct Program:			
Hispanic - Serving Institution Assisting Communities	14.514	HSIAC-10-CA-33	25,955

(Continued)

YOSEMITE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Grant Number	Federal Expend- itures
National Science Foundation			
Direct Program:			
Advanced Technology Education Program	47.076	-	$ 244,035
NEH Search for Common Ground	45.162	-	43,555
Total National Science Foundation			287,590
U.S. Department Agriculture			
Passed through California Department of Education:			
Forest Reserve	10.670	-	14,557
Child and Adult Care Food Program	10.558	04226-CACFP-50-CC-C5	28,508
Pathway to Agricultural Education	10.223	2013-38422-20958	17,090
Total U.S. Department of Agriculture			60,155
U.S. Department of Health and Human Services			
Passed through California Department of Education:			
Child Care and Development Block Grant	93.575	CN140087	3,374,373
Foster Care	93.658	FKCE	69,771
Temporary Assistance for Needy Families	93.558	-	137,993
Medical Assistance Program (Medi-Cal)	93.778	-	13,847
Total U.S. Department of Health and Human Services			3,595,984
Total Federal Programs			$ 37,589,672

See accompanying note to supplementary information.

	Program Revenues				
	Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total	Total Program Expenditures
Adult Education Consortium	$ 3,291,098	$ 12,470	$ 2,541,469	$ 762,099	$ 762,099
Basic Skills	411,159	2,660	167,246	246,573	246,573
Board Financial Assistance Program	876,974	5,041	16	881,999	881,999
Cal Grants	2,469,359	7,393	-	2,476,752	2,476,752
Cal WORKS	611,711	17,689	-	629,400	629,400
California Apprenticeship Initiative	384,000	-	371,159	12,841	12,841
CCO EEO Registry	131,646	129,395	-	261,041	261,041
CCPT - Ad Ed Consortium	-	130,871	-	130,871	130,871
CCPT - Ag and Logistic Career Path	3,843,593	1,960	2,950,271	895,282	895,282
CDTC	172,151	88,388	1,454	259,085	259,085
CDTC First 5 California	2,425,199	9,536	4,980	2,429,755	2,429,755
Center of Excellence	87,885	106,705	5,448	189,142	189,142
Child Care Food	1,737	134	-	1,871	1,871
Child Care Reserves	9,605	89	-	9,694	9,694
Child Development/Toddler	329,811	107,614	-	437,425	437,425
Cooperative Agencies Resources for Education	232,758	80	-	232,838	232,838
CPEC	16,381	2,882	2,894	16,369	16,369
CTE - Pathways Initiative	63,937	157,110	-	221,047	221,047
Disabled Student Program and Services	2,595,118	69,117	221,590	2,442,645	2,442,645
ED - IDRC	15,229	5,615	8,638	12,206	12,206
Enrollment Growth Nursing	224,100	20,129	-	244,229	244,229
ETP Drought Relief Initiative	847,943	100	171,715	676,328	676,328
Extended Opportunity Program and Services	1,906,569	2,493	2,418	1,906,644	1,906,644
Foster Care Education	44,709	57,899	-	102,608	102,608
Foundation for California Community Colleges	822	-	-	822	822
Full Time Student Success Grant	846,309	-	236,409	609,900	609,900

(Continued)

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

	Program Revenues				
	Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total	Total Program Expenditures
Instructional Equipment	$ 1,017,374	$ 87,506	$ 912,494	$ 192,386	$ 192,386
Lottery	1,744,946	370,652	1,654,067	461,531	461,531
Nursing, Song Brown Capitation	67,500	22,500	-	90,000	90,000
Prop 39 - Lighting Retrofit	534,229	-	38,115	496,114	496,114
Scheduled Maintenance	3,497,077	-	2,089,018	1,408,059	1,408,059
Staff Development	15,442	-	14,194	1,248	1,248
Staff Diversity	37,042	-	23,206	13,836	13,836
Student Equity	3,266,653	-	1,147,601	2,119,052	2,119,052
Student Success and Support Programs	4,332,875	3,870	1,747,270	2,589,475	2,589,475

See accompanying note to supplementary information.

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

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2015 only)			
1. Noncredit	36	-	36
2. Credit	779	-	779
B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)			
1. Noncredit	38	-	38
2. Credit	1,494	-	1,494
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	10,298	-	10,298
b. Daily Census Contact Hours	780	-	780
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	271	-	271
b. Credit	170	-	170
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	2,363	-	2,363
b. Daily Census Contact Hours	313	-	313
D. Total FTES	16,542	-	16,542
Supplementary Information:			
E. In-Service Training Courses (FTES)	10	-	10
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	238	-	238
b. Credit	758	-	758
CCFS 320 Addendum			
CDCP	169	-	169
Center FTES			
a. Noncredit	-	-	-
b. Credit	-	-	-

See accompanying note to supplementary information.

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

General fund		$ 18,997,996
Debt service fund		13,220,980
Special revenue funds		2,771,153
Capital projects funds		46,645,874
Internal service fund		4,382
Fiduciary funds		10,565,012
Total fund balances - business-type activity funds		92,205,397
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. However, capital assets, net of accumulated depreciation are added to total net assets.		
Total District capital assets	$ 411,211,886	
less Propriety Fund capital assets	(14,617)	
		411,197,269
Net OPEB assets are recognized in the government-wide financial statements and not recognized in the fund financial statements.		9,521,345
In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:		
Deferred outflows of resources relating to pensions	$ 9,707,489	
Deferred inflows of resources relating to pensions	(8,640,000)	
		1,067,489
Unmatured interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.		(4,228,719)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2016 consisted of:		
General obligation bonds	$ (288,021,051)	
Unamortized bond premiums	(26,591,634)	
Accreted interest	(53,470,932)	
Net pension liability	(86,376,000)	
Compensated absences	(2,337,705)	
		(456,797,322)
Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt.		17,259,939
Total net position - business-type activities		$ 70,225,398

See accompanying note to supplementary information.

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

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 Reported Data	Audit Adjustments	Revised Data	Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional salaries:							
Contract or regular	1100	$ 20,613,858	$ -	$ 20,613,858	$ 20,653,369	$ -	$ 20,653,369
Other	1300	11,284,759	-	11,284,759	11,320,690	-	11,320,690
Total instructional salaries		31,898,617	-	31,898,617	31,974,059	-	31,974,059
Non-instructional salaries:							
Contract or regular	1200	-	-	-	3,153,597	-	3,153,597
Other	1400	-	-	-	3,890,078	-	3,890,078
Total non-instructional salaries		-	-	-	7,043,675	-	7,043,675
Total academic salaries		31,898,617	-	31,898,617	39,017,734	-	39,017,734
Classified Salaries							
Non-instructional salaries:							
Regular status	2100	-	-	-	18,325,097	-	18,325,097
Other	2300	-	-	-	469,620	-	469,620
Total non-instructional salaries		-	-	-	18,794,717	-	18,794,717
Instructional aides:							
Regular status	2200	1,392,962	-	1,392,962	1,401,494	-	1,401,494
Other	2400	28,059	-	28,059	113,024	-	113,024
Total instructional aides		1,421,021	-	1,421,021	1,514,518	-	1,514,518
Total classified salaries		1,421,021	-	1,421,021	20,309,235	-	20,309,235
Employee benefits	3000	11,533,232	-	11,533,232	23,498,365	-	23,498,365
Supplies and materials	4000	-	-	-	1,511,490	-	1,511,490
Other operating expenses	5000	-	-	-	7,062,321	-	7,062,321
Equipment replacement	6420	-	-	-	-	-	-
Total expenditures prior to exclusions		$ 44,852,870	$ -	$ 44,852,870	$ 91,399,145	$ -	$ 91,399,145

(Continued)

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
Exclusions	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	$ -	$ -	$ -	$ -	$ -	$ -
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	234,379	-	234,379
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	1,468,460	-	1,468,460
Objects to exclude:							
Rents and leases	5060	-	-	-	60,361	-	60,361
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
Supplies and materials:							
Software	4100	-	-	-	-	-	-
Books, magazines and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	-	-	-
Noninstructional supplies and materials	4400	-	-	-	-	-	-
Total supplies and materials		-	-	-	-	-	-
Other operating expenses and services	5000	-	-	-	2,480,343	-	2,480,343
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Equipment:							
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	-	-	-
Total capital outlay		-	-	-	-	-	-
Other outgo	7000	-	-	-	-	-	-
Total exclusions		-	-	-	4,243,543	-	4,243,543
Total for ECS 84362, 50% Law		$ 44,852,870	$ -	$ 44,852,870	$ 87,155,602	$ -	$ 87,155,602
Percent of CEE (instructional salary cost /Total CEE)		51.46 %	-	51.46 %	100.00%	-	100.00%
50% of current expense of education		-	-	-	$ 43,577,801	-	$ 43,577,801

See accompanying note to supplementary information.

YOSEMITE COMMUNITY COLLEGE DISTRICT
PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT
For the Year Ended June 30, 2016

EPA Proceeds: $ 13,948,930

Activity Classification	Activity Code (0100-5900)	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	$ -	$ 13,938,930	$ -	$ -	$ 13,938,930

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Expenditure of Federal Awards

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

B - Schedule of State Financial Awards

The accompanying Schedule of State Financial Awards includes State grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented to comply with reporting requirements of the California Community College Chancellor's Office.

C - Schedule of Workload Measures for State General Apportionment

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

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

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

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

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

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

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

G - Prop 30 EPA Expenditure Report

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

INDEPENDENT AUDITOR'S REPORT
ON STATE COMPLIANCE

Board of Trustees
Yosemite Community College District
Modesto, California

Report on Compliance with State Laws and Regulations

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

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Yosemite Community College District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *California State Chancellor's Office's California Community College Contracted District Audit Manual* (Audit Manual). Those standards and the Audit Manual require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Yosemite Community College District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Yosemite 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 in compliance with state laws and regulations. However, our audit does not provide legal determination of Yosemite Community College District's compliance with those requirements.

(Continued)

Opinion with State Laws and Regulations

In our opinion, Yosemite Community College District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2016. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Yosemite Community College District had not complied with the requirements that are applicable to the state laws and regulations.

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 14, 2016

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

Board of Trustees
Yosemite Community College District
Modesto, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the fiduciary activities of Yosemite Community College District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Yosemite Community College District's basic financial statements, and have issued our report thereon dated November 14, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2016-001, that we consider to be a significant deficiency.

(Continued)

Compliance and Other Matters

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

Yosemite Community College District Response to Findings

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

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 14, 2016

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

Board of Trustees
Yosemite Community College District
Modesto, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

(Continued)

Report on Internal Control Over Compliance

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

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

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

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 14, 2016

FINDINGS AND RECOMMENDATIONS

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

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

Noncompliance material to financial statements noted? ______ Yes __X__ No

FEDERAL AWARDS

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

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063, and 93.364	Student Financial Aid Cluster
93.575	Child Care and Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs: $ 1,127,690

Auditee qualified as low-risk auditee? __X__ Yes ______ No

STATE AWARDS

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

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-001 SIGNIFICANT DEFICIENCY - INFORMATION SYSTEMS

Criteria

Internal Controls - Information Systems

Condition

The District's controls over the program change process were not operating effectively. There were instances where District personnel did not document the design of the testing, testing results, or approvals over system patches or other program changes to source code.

Effect

A program change could be initiated, tested or not tested and placed into production by the same individual, circumventing internal controls.

Cause

Effective internal controls are not operating effectively.

Fiscal Impact

Not determinable.

Recommendation

The District should ensure all documented controls are being followed. The testing approach and the expected and achieved results of a system change should be documented and maintained. In addition, the approvals should be formally documented to ensure that there was a proper segregation of duties, including the individual initiating the change and placing the program back into production.

Corrective Action Plan

After the prior year Audit comment, Yosemite Community College District Information Technology Services (ITS) designed and initiated the implementation of a structured Change Management process. ITS documented the Change Management requirements in administrative regulation ITS-AR-1502 which defines the process of change management for new development, vendor patches and maintenance of the Ellucian College ERP system from request to deployment. The process ensures separation of duties between all phases (request, approval, development, testing, user signoff and installation) of the change. Additionally, in June 2016, ITS implemented SysAid Request/Incident tracking system for management and tracking of requests. ITS will continue to mature the Change Management Process, expand its application beyond the ERP System and mature the use of the SysAid system as a verification tool such that this audit finding is fully addressed.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
2015-001		
Condition: The District's controls over the program change process were not operating effectively. During the year ended June 30, 2015, the District formally documented change process controls in it's procedures manual. However, there were instances where the documented controls were not being followed. District personnel do not document the design of the testing, testing results, or approvals over system patches or other program changes to source code. Recommendation: The District should ensure all documented controls are being followed. The testing approach and the expected and achieved results of the change should be documented and maintained. In addition, the approvals should be formally documented to ensure that there was a proper segregation of duties, including the individual initiating the change and placing the program back into production.	Not implemented.	See current year finding 2016-001.