



MATSON  
& ISOM

YOSEMITE COMMUNITY  
COLLEGE DISTRICT

**Modesto, California**

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITORS' REPORTS

**June 30, 2013**

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Yosemite Community College District

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## **INDEPENDENT AUDITORS' REPORT**



MATSON  
& ISOM

## INDEPENDENT AUDITORS' REPORT

To the 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 aggregate discretely presented component units of Yosemite Community College District (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the 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.

#### ***Auditors' 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 of 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 auditors' 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the District, as of June 30, 2013; the respective changes in 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.

## INDEPENDENT AUDITORS' REPORT

Continued

### *Change in Accounting Principles*

As discussed in note 14, the District adopted new accounting guidance, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. The beginning net position was increased by \$28,144,336, as a result of capitalizing interest costs of bond projects that were previously expensed. Our opinion is not modified with respect to this matter.

The District also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The beginning net position was decreased by \$4,734,965, as a result of expensing the costs associated with the issuance of bonds. Our opinion is not modified with respect to this matter.

### *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 6 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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.

#### *Other Information*

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

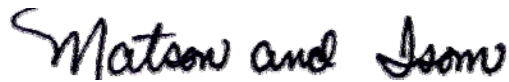
The supplementary information and the schedule of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied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

## INDEPENDENT AUDITORS' REPORT

Continued

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Matson and Isom". The signature is written in a cursive, flowing style.

November 20, 2013  
Chico, California

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Required Supplemental Information)**



# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2013

*Yosemite Community College District*

## **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, 2013. 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 changes 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 general obligation bond funds and student associations, but excludes the Modesto Junior College Foundation, Columbia College Foundation, and the Great Valley Museum Foundation. 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.

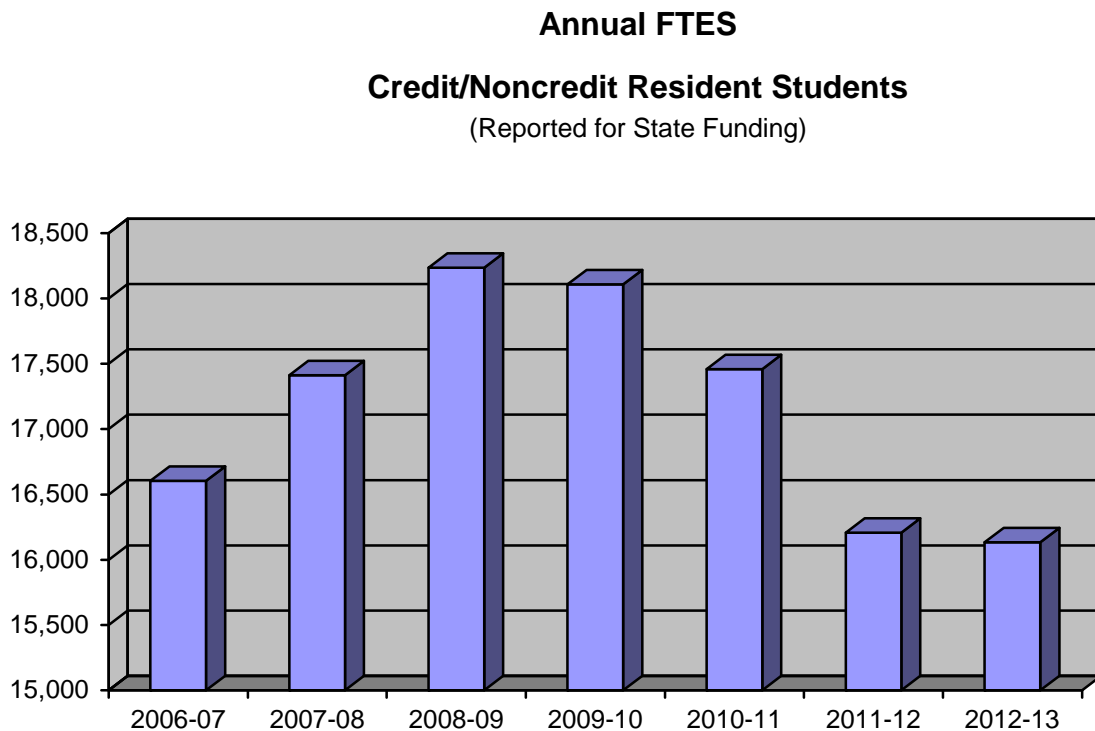
**FINANCIAL HIGHLIGHTS**

On November 7, 2012, Proposition 30 was approved by the voters. The passage of Proposition 30 warded off \$545 million in cuts to community colleges. The District was spared a \$5.3 million cut to funded workload which would have reduced funded workload by 7.3%. The increased sales tax and income tax generated from the passage of Proposition 30 will provide additional revenue until the taxes sunset in four years for the sales tax and seven years for the income tax.

The District recorded \$79,679,890 of state apportionment which is about \$800,000 less than earlier projections due to a statewide shortfall to estimated redevelopment revenue. The 2012-13 Budget Act provided for no cost of living adjustment and less than one percent in restoration funds of about \$750,000. Thus, the restoration of funding is offset by the redevelopment revenue shortfall leaving state apportionment flat.

**ATTENDANCE**

Due to the modest restoration in the Budget Act, the District served and was funded for 163 more full-time equivalent students (FTES) in 2012-13 than in 2011-12. Actual FTES served in 2012-13 was 16,134. The chart below shows actual FTES served.



**GENERAL FUND RESERVE**

The District has a designated reserve in the General Fund of \$8.5 million or approximately 10% of the General Fund unrestricted expenditures budget for 2012-13. For the 2013-14 budget year, the District has a 10% designated reserve on the General Fund unrestricted budgeted expenditures, a \$3.95 million additional reserve to be allocated over the next few years on a one-time basis, \$529,000 reserved for excess vacation accrual, and just under \$3 million in undesignated reserves.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2013

*Yosemite Community College District*

### **SALARIES AND BENEFITS**

There were no cost of living salary adjustments for District employee groups in 2012-13. Eligible employees received stability pay as per their employee group contracts. The District paid the cost of a base health benefit plan for eligible employees at an annual cost per employee of \$16,784. All employees received a 2% cost of living (COLA) adjustment for the 2013-14 fiscal year. The District paid base health plan increased to \$18,108 per eligible employee.

### **ECONOMIC FACTORS AFFECTING THE FUTURE**

The 2013-14 State Budget Act includes a COLA of 1.57% and restoration growth at 1.63%. The colleges of the District are targeting FTES restoration/growth at 3% for the 2013-14 fiscal year. Additional categories of new and renewed funding include Student Success, Proposition 39 Energy Efficiency funding, Scheduled Maintenance funding, Extended Opportunities Programs and Services, Disabled Students Program, and CalWORKS. The State economy and funding is beginning to improve, albeit slowly.

### **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, 2013, was \$22,231,823. 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, 2011, was \$2,169,245. When taking into account interest and amortization adjustments, the beginning obligation and the District contribution in 2012-13 of \$2,773,397, which includes the ARC, the net annual OPEB obligation (OPEB asset) at June 30, 2013, is positive \$3,545,459. The positive balance will be recognized in the 2013-14 year ARC calculation. It is estimated that the OPEB trust will be fully funded in 2028.

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. 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, CC Science Natural Resources Building, CC Logistics Center, 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 secondary access road, Central Services (CS) Ag trailers, CS master plan, 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. Central Services augmented their allocation by \$20,000,000 from investment earnings for the purpose of building a Central Services office, improving roads and shop lights, and adding solar energy to the District's sites. The 2012-13 year was an extraordinary year of construction and development for the District's Measure E projects.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2013

*Yosemite Community College District*

**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.

|  | <b>2013</b>           | <b>2012</b>           | <b>Change</b> |
|--|-----------------------|-----------------------|---------------|
| <b>ASSETS</b>                              |                       |                       |               |
| <b>CURRENT ASSETS</b>                      |                       |                       |               |
| Cash and cash equivalents                  | \$ 14,685,331         | \$ 12,142,496         | 21%           |
| Receivables                                | 23,531,089            | 25,613,596            | -8%           |
| Inventory, prepaid, and other assets       | 1,080,215             | 1,098,704             | -2%           |
| <b>Total Current Assets</b>                | <b>39,296,635</b>     | <b>38,854,796</b>     | <b>1%</b>     |
| <b>NONCURRENT ASSETS</b>                   |                       |                       |               |
| Restricted cash and cash equivalents       | 120,507,849           | 148,380,372           | -19%          |
| Long-term investments                      | 3,904,506             | 3,874,249             | 1%            |
| Loans to students                          | 147,775               | 163,160               | -9%           |
| Deferred charges                           | -                     | 4,734,965             | -100%         |
| Net OPEB asset                             | 3,545,459             | 2,904,001             | 22%           |
| Capital assets - net                       | 338,869,910           | 270,770,370           | 25%           |
| <b>Total Noncurrent Assets</b>             | <b>466,975,499</b>    | <b>430,827,117</b>    | <b>8%</b>     |
| <b>Total Assets</b>                        | <b>506,272,134</b>    | <b>469,681,913</b>    | <b>8%</b>     |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>       |                       |                       |               |
| Deferred loss on refunding                 | 5,383,889             | -                     | N/A           |
| <b>LIABILITIES</b>                         |                       |                       |               |
| <b>CURRENT LIABILITIES</b>                 |                       |                       |               |
| Accounts payable and accrued liabilities   | 10,402,542            | 10,297,089            | 1%            |
| Advances from grantors and students        | 9,266,276             | 8,917,160             | 4%            |
| Other current liabilities                  | 10,241,750            | 8,601,432             | 19%           |
| <b>Total Current Liabilities</b>           | <b>29,910,568</b>     | <b>27,815,681</b>     | <b>8%</b>     |
| <b>NONCURRENT LIABILITIES</b>              |                       |                       |               |
| Long-term liabilities - noncurrent portion | 339,353,736           | 330,944,351           | 3%            |
| <b>Total Liabilities</b>                   | <b>369,264,304</b>    | <b>358,760,032</b>    | <b>3%</b>     |
| <b>NET POSITION</b>                        |                       |                       |               |
| Net investment in capital assets           | 101,352,462           | 72,100,533            | 41%           |
| Restricted                                 | 22,082,087            | 19,100,901            | 16%           |
| <b>Subtotal</b>                            | <b>123,434,549</b>    | <b>91,201,434</b>     | <b>35%</b>    |
| Unrestricted:                              |                       |                       |               |
| Reserve for noncash assets                 | 46,498                | 68,629                | -32%          |
| Contractual obligations                    | 566,844               | 382,893               | 48%           |
| General reserve                            | 8,500,000             | 8,500,000             | 0%            |
| Contingency reserve and other designations | 9,843,828             | 10,768,925            | -9%           |
| <b>Total Unrestricted</b>                  | <b>18,957,170</b>     | <b>19,720,447</b>     | <b>-4%</b>    |
| <b>Total Net Position</b>                  | <b>\$ 142,391,719</b> | <b>\$ 110,921,881</b> | <b>28%</b>    |

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2013

*Yosemite Community College District*

Current cash and cash equivalents consist mainly of cash in the County Treasury.

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

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

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

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

Net capital assets are the historical value of land, buildings, and equipment less accumulated depreciation. A total of \$42 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.

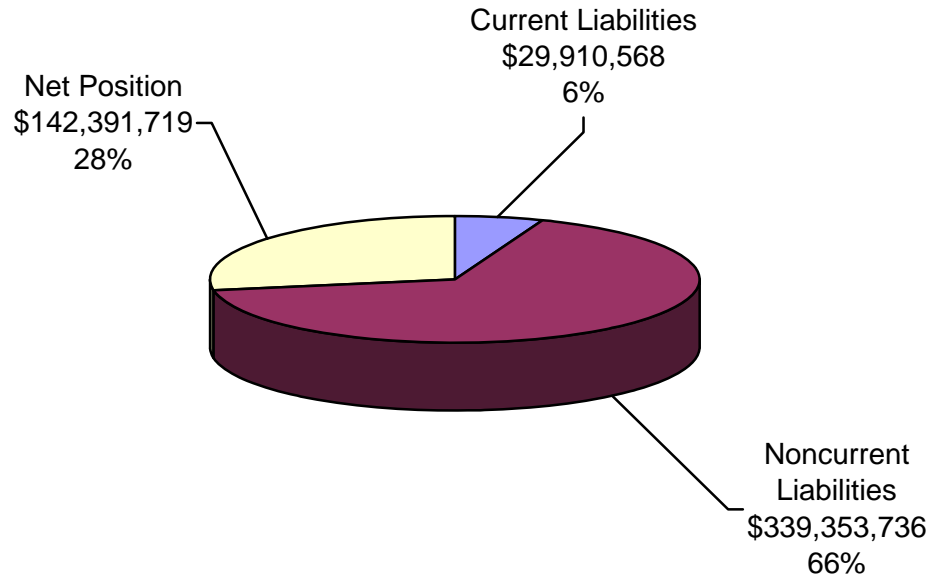
Accounts payable and accrued liabilities consist mainly of accrued payroll and payables due to vendors.

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 2013-14 fiscal year.

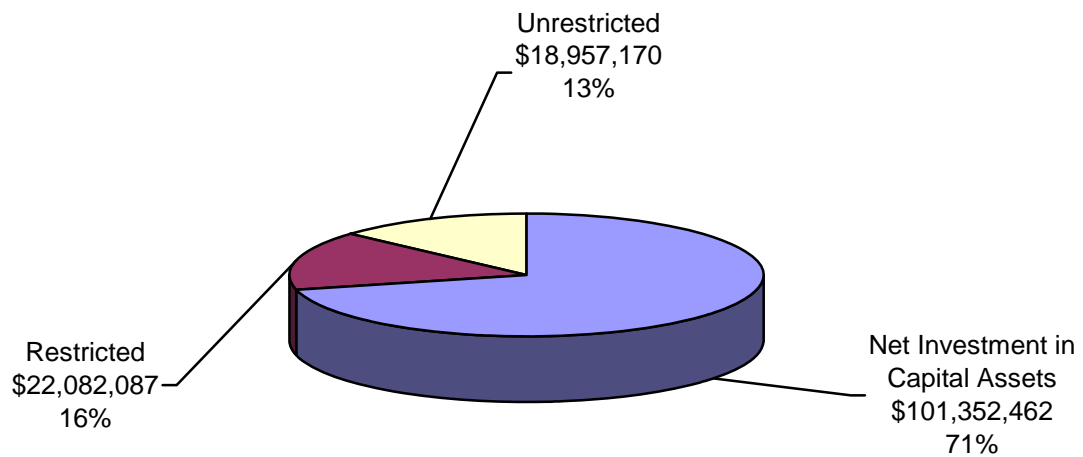
Other current liabilities include the amounts held in trust for others. Long-term liabilities (noncurrent portion) are long-term debt to be paid in one year or later. Compensated absences payable of \$2,296,259, and the general obligation bonds of \$301,666,979 are the major components of the noncurrent 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.

**Total Liabilities and Net Position**



**Net Position**



**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2013

*Yosemite Community College District*

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES 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.

|   | <b>2013</b>    | <b>2012</b>    | <b>Change</b> |
|---|----------------|----------------|---------------|
| <b>REVENUES</b>   |                |                |               |
| Operating revenues:   |                |                |               |
| Net tuition and fees  | \$ 7,075,112   | \$ 7,143,221   | -1%           |
| Grants, contracts, and other designated revenues - noncapital | 36,975,766     | 20,686,562     | 79%           |
| Auxiliary enterprise - net                                    | 5,686,616      | 5,537,454      | 3%            |
| Other operating income  | 1,672,918      | 1,496,193      | 12%           |
| <b>Total Operating Revenues</b>                               | 51,410,412     | 34,863,430     | 47%           |
| <b>Total Operating Expenses</b>                               | 118,940,780    | 120,220,763    | -1%           |
| <b>Operating Loss</b>   | (67,530,368)   | (85,357,333)   | 21%           |
| Nonoperating revenues (expenses):                             |                |                |               |
| State apportionments - noncapital                             | 31,132,172     | 45,642,682     | -32%          |
| Local property taxes  | 28,717,464     | 27,995,851     | 3%            |
| Lottery and other revenue                                     | 4,269,288      | 3,945,301      | 8%            |
| Investment income   | (851,241)      | 18,129         | -4795%        |
| Other nonoperating revenues (expenses) - net                  | 827,863        | 1,377,992      | -40%          |
| <b>Total Nonoperating Revenues (Expenses)</b>                 | 64,095,546     | 78,979,955     | -19%          |
| Loss before other revenues, expenses, gains, or losses        | (3,434,822)    | (6,377,378)    | 46%           |
| Apportionment and property taxes - capital                    | 15,357,904     | 13,056,447     | 18%           |
| Investment income - capital                                   | 1,388,193      | 1,308,708      | 6%            |
| Interest expense - capital                                    | (5,250,808)    | (16,606,094)   | 68%           |
| <b>Increase (Decrease) in Net Position</b>                    | 8,060,467      | (8,618,317)    | 194%          |
| <b>Net Position - as Previously Reported</b>                  | 110,921,881    | 117,418,597    | -6%           |
| Cumulative effect of change in accounting principles          | 23,409,371     | 2,121,601      | 1003%         |
| <b>Net Position - as Restated</b>                             | 134,331,252    | 119,540,198    | 12%           |
| <b>Net Position - End of Year</b>                             | \$ 142,391,719 | \$ 110,921,881 | 28%           |



# MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

*Yosemite Community College District*

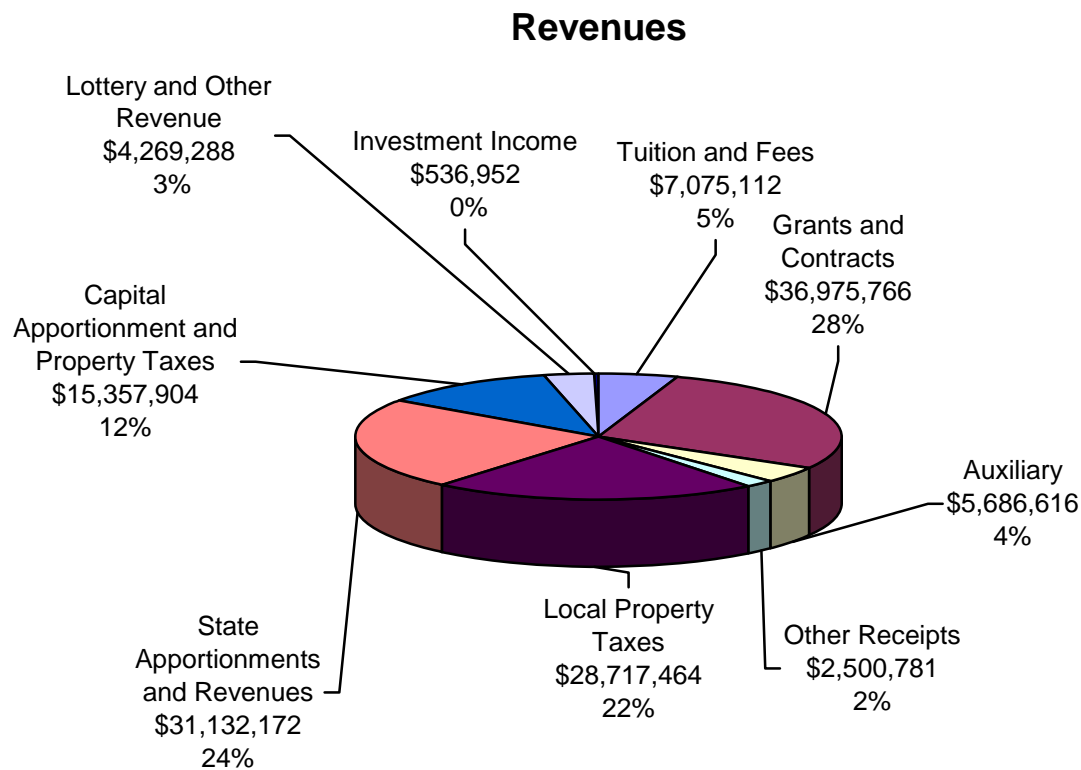
## REVENUES

Net tuition and fees consist of enrollment fees of \$4,270,896; nonresident tuition of \$364,752 and all other fees of \$2,439,464. 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 primarily of unrestricted state lottery revenue of \$2,006,677.



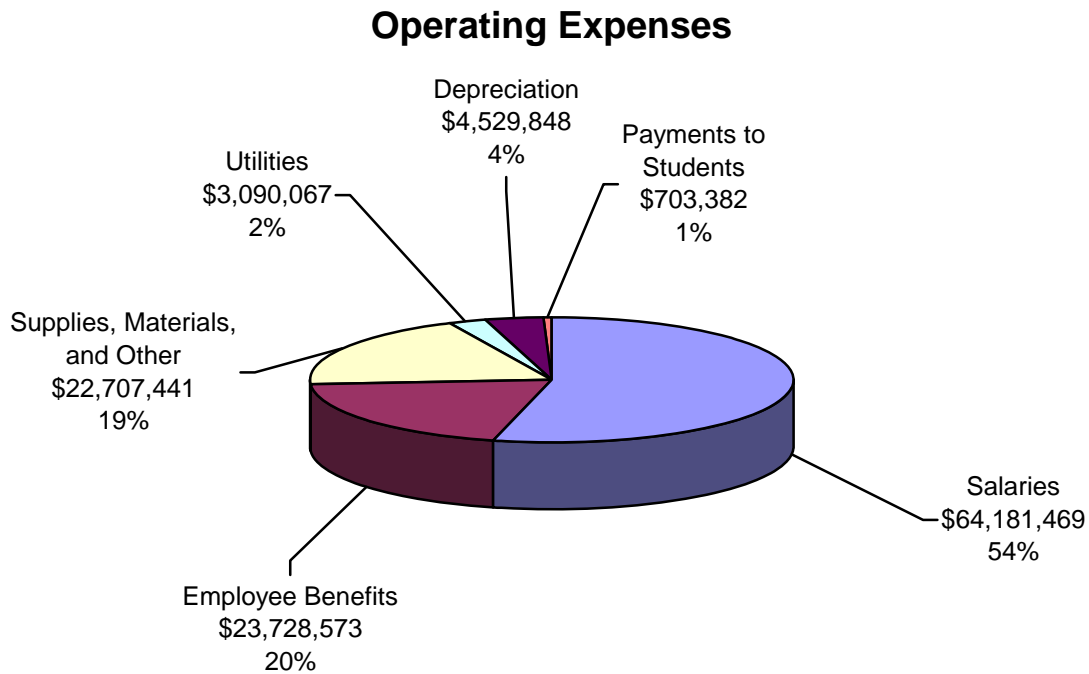
**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2013

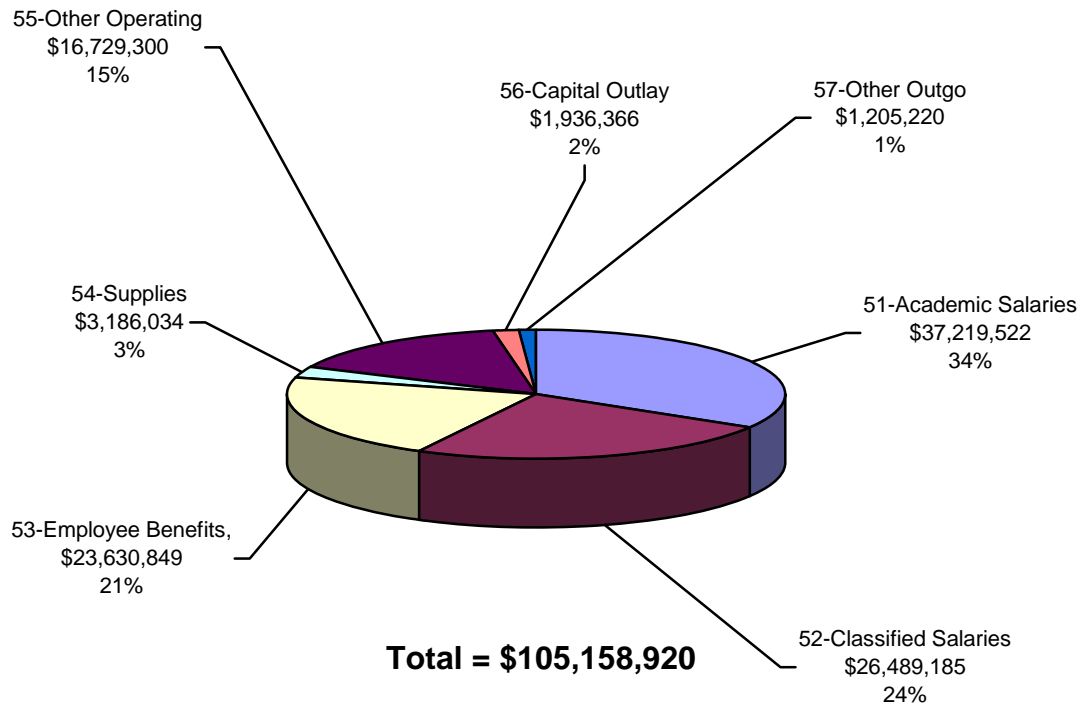
*Yosemite Community College District*

**OPERATING EXPENSES (BY NATURAL CLASSIFICATION – ALL FUNDS)**

|  | <b>2013</b>           | <b>2012</b>           | <b>Change</b> |
|--|-----------------------|-----------------------|---------------|
| Salaries   | \$ 64,181,469         | \$ 65,402,311         | -2%           |
| Employee benefits  | 23,728,573            | 25,046,388            | -5%           |
| Supplies, materials, other operating expenses,<br>and services | 22,707,441            | 21,853,233            | 4%            |
| Utilities  | 3,090,067             | 3,065,865             | 1%            |
| Depreciation   | 4,529,848             | 4,128,902             | 10%           |
| Payments to students   | 703,382               | 724,064               | -3%           |
| <b>Total Operating Expenses</b>                                | <b>\$ 118,940,780</b> | <b>\$ 120,220,763</b> | <b>-1%</b>    |



**Operating Expenses  
(by Major Object Code General Fund)**



**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2013

*Yosemite Community College District*

**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.

|  | <b>2013</b>           | <b>2012</b>           |
|--|-----------------------|-----------------------|
| Cash provided (used) by:                   |                       |                       |
| Operating activities                       | \$ (63,561,672)       | \$ (91,954,530)       |
| Noncapital financing activities            | 67,497,875            | 75,868,359            |
| Capital and related financing activities   | (28,749,869)          | (47,445,878)          |
| Investment activities                      | (516,022)             | 216,461               |
| <b>Net Decrease in Cash</b>                | <b>(25,329,688)</b>   | <b>(63,315,588)</b>   |
| <b>Cash - Beginning of the Fiscal Year</b> | <b>160,522,868</b>    | <b>223,838,456</b>    |
| <b>Cash - End of the Fiscal Year</b>       | <b>\$ 135,193,180</b> | <b>\$ 160,522,868</b> |

## **FINANCIAL SECTION**

# STATEMENT OF NET POSITION

Yosemite Community College District

| June 30, 2013                            | Primary<br>Institution | Foundations         |
|--|------------------------|---------------------|
| <b>ASSETS</b>                            |                        |                     |
| <b>CURRENT ASSETS</b>                    |                        |                     |
| Cash and cash equivalents                | \$ 14,685,331          | \$ 980,145          |
| Accounts receivable - net                | 23,531,089             | 51,189              |
| Inventory                                | 1,055,890              | 8,619               |
| Prepaid expenses                         | 24,325                 | 16,866              |
| <b>Total Current Assets</b>              | <b>39,296,635</b>      | <b>1,056,819</b>    |
| <b>NONCURRENT ASSETS</b>                 |                        |                     |
| Restricted cash and cash equivalents     | 120,507,849            | -                   |
| Long-term investments                    | 3,904,506              | 8,434,588           |
| Loans to students                        | 147,775                | -                   |
| Other assets                             | -                      | 169,487             |
| Net OPEB asset                           | 3,545,459              | -                   |
| Capital assets - net                     | 338,869,910            | -                   |
| <b>Total Noncurrent Assets</b>           | <b>466,975,499</b>     | <b>8,604,075</b>    |
| <b>Total Assets</b>                      | <b>506,272,134</b>     | <b>9,660,894</b>    |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>     |                        |                     |
| Deferred loss on refunding               | 5,383,889              | -                   |
| <b>LIABILITIES</b>                       |                        |                     |
| <b>CURRENT LIABILITIES</b>               |                        |                     |
| Accounts payable                         | 7,454,766              | 148,605             |
| Accrued salaries and related benefits    | 2,947,776              | -                   |
| Advances from grantors and students      | 9,266,276              | 33,820              |
| Other accrued liabilities                | 4,583,557              | 1,582               |
| Amounts held in trust for others         | 507,560                | 247,176             |
| Current portion of long-term liabilities | 5,150,633              | -                   |
| <b>Total Current Liabilities</b>         | <b>29,910,568</b>      | <b>431,183</b>      |
| <b>NONCURRENT LIABILITIES</b>            |                        |                     |
| Long-term liabilities - net              | 339,353,736            | -                   |
| <b>Total Liabilities</b>                 | <b>369,264,304</b>     | <b>431,183</b>      |
| <b>NET POSITION</b>                      |                        |                     |
| Net investment in capital assets         | 101,352,462            | -                   |
| Restricted:                              |                        |                     |
| Nonexpendable                            | -                      | 6,647,193           |
| Expendable                               | 22,082,087             | 1,875,270           |
| Unrestricted                             | 18,957,170             | 707,248             |
| <b>Total Net Position</b>                | <b>\$ 142,391,719</b>  | <b>\$ 9,229,711</b> |

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

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

*Yosemite Community College District*

| Year Ended June 30, 2013   | Primary<br>Institution | Foundations  |
|--|------------------------|--------------|
| <b>OPERATING REVENUES</b>  |                        |              |
| Tuition and fees (gross)   | \$ 19,870,055          | \$ -         |
| Scholarship discounts and allowances                                   | (12,794,943)           | -            |
| <b>Net Tuition and Fees</b>  | 7,075,112              | -            |
| Grants and contracts - noncapital:                                     |                        |              |
| Federal  | 9,862,138              | -            |
| State  | 23,536,761             | -            |
| Local  | 3,576,867              | -            |
| Other operating receipts   | 1,672,918              | -            |
| Auxiliary enterprise sales and charges                                 | 5,686,616              | -            |
| <b>Total Operating Revenues</b>  | 51,410,412             | -            |
| <b>OPERATING EXPENSES</b>  |                        |              |
| Salaries   | 64,181,469             | 139,513      |
| Employee benefits  | 23,728,573             | 56,688       |
| Supplies, materials, and other operating expenses and services         | 22,707,441             | 457,105      |
| Utilities  | 3,090,067              | -            |
| Depreciation   | 4,529,848              | -            |
| Payments to students   | 703,382                | 157,647      |
| <b>Total Operating Expenses</b>  | 118,940,780            | 810,953      |
| <b>Operating Loss</b>  | (67,530,368)           | (810,953)    |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                                |                        |              |
| State apportionments - noncapital                                      | 31,132,172             | -            |
| Local property taxes - noncapital                                      | 28,717,464             | -            |
| State taxes and other revenues - noncapital                            | 4,269,288              | -            |
| Investment income - noncapital   | (486,064)              | 797,155      |
| Amortization expense   | (365,177)              | -            |
| Financial aid revenues - federal                                       | 29,637,155             | -            |
| Financial aid revenues - state   | 1,830,327              | -            |
| Financial aid expenses   | (31,970,748)           | -            |
| Other nonoperating revenues - grants/gifts - noncapital                | 1,331,129              | 945,456      |
| <b>Total Nonoperating Revenues (Expenses)</b>                          | 64,095,546             | 1,742,611    |
| <b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b> | (3,434,822)            | 931,658      |
| <b>OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>                      |                        |              |
| Local property taxes and revenues - capital                            | 15,357,904             | -            |
| Investment income - capital  | 1,388,193              | -            |
| Interest expense - capital   | (5,250,808)            | -            |
| <b>Total Other Revenues, Expenses, Gains, or Losses</b>                | 11,495,289             | -            |
| <b>Increase in Net Position</b>  | 8,060,467              | 931,658      |
| <b>Net Position - as Previously Reported</b>                           | 110,921,881            | 8,298,053    |
| Cumulative effect of change in accounting principles                   | 23,409,371             | -            |
| <b>Net Position - as Restated</b>                                      | 134,331,252            | 8,298,053    |
| <b>Net Position - End of Year</b>                                      | \$ 142,391,719         | \$ 9,229,711 |

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

# STATEMENT OF CASH FLOWS

Yosemite Community College District

Page 1 of 2

| Year Ended June 30, 2013   | Primary<br>Institution | Foundations       |
|--|------------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |                        |                   |
| Tuition and fees   | \$ 7,583,003           | \$ -              |
| Federal grants and contracts                                     | 9,683,867              | -                 |
| State grants and contracts                                       | 23,119,576             | -                 |
| Local grants and contracts                                       | 3,756,529              | -                 |
| Payments to suppliers  | (25,588,436)           | (385,542)         |
| Payments to/on behalf of employees                               | (89,491,448)           | (196,201)         |
| Payments to/on behalf of students                                | (687,997)              | (157,647)         |
| Auxiliary enterprise sales and charges                           | 5,635,709              | -                 |
| Other receipts   | 2,427,525              | -                 |
| <b>Net Cash Used by Operating Activities</b>                     | <b>(63,561,672)</b>    | <b>(739,390)</b>  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>           |                        |                   |
| State apportionment and receipts                                 | 34,490,094             | -                 |
| Property taxes   | 28,717,464             | -                 |
| State taxes and other revenues                                   | 3,523,672              | -                 |
| Financial aid, scholarship, loan trust receipts - federal        | 29,637,155             | -                 |
| Financial aid, scholarship, loan trust receipts - state          | 1,830,327              | -                 |
| Financial aid, scholarship, loan trust disbursements             | (31,970,748)           | -                 |
| Student organization agency receipts                             | (61,218)               | 44,722            |
| Other receipts   | 1,331,129              | 959,334           |
| <b>Net Cash Provided by Noncapital Financing Activities</b>      | <b>67,497,875</b>      | <b>1,004,056</b>  |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>  |                        |                   |
| Proceeds from capital debt                                       | 59,665,414             | -                 |
| State apportionments for capital purposes                        | (932)                  | -                 |
| Purchases of capital assets                                      | (33,156,251)           | -                 |
| Proceeds from sales of capital assets                            | 44,794                 | -                 |
| Principal paid on capital debt                                   | (62,598,213)           | -                 |
| Interest paid on capital debt                                    | (9,450,779)            | -                 |
| Interest and dividends from capital investments                  | 1,388,194              | -                 |
| Local property taxes and other revenues for capital              | 15,357,904             | -                 |
| <b>Net Cash Used by Capital and Related Financing Activities</b> | <b>(28,749,869)</b>    | <b>-</b>          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |                        |                   |
| Sale of investments  | -                      | 1,361             |
| Interest and dividends from investments                          | (516,022)              | 154,879           |
| Proceeds from the sale of investments                            | -                      | (152,093)         |
| <b>Net Cash Provided (Used) by Investing Activities</b>          | <b>(516,022)</b>       | <b>4,147</b>      |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>      | <b>(25,329,688)</b>    | <b>268,813</b>    |
| <b>Cash and Cash Equivalents Balance - Beginning of Year</b>     | <b>160,522,868</b>     | <b>711,332</b>    |
| <b>Cash and Cash Equivalents Balance - End Year</b>              | <b>\$ 135,193,180</b>  | <b>\$ 980,145</b> |

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



**STATEMENT OF CASH FLOWS***Yosemite Community College District*

Page 2 of 2

| Year Ended June 30, 2013   | Primary<br>Institution | Foundations         |
|--|------------------------|---------------------|
| <b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED<br/>BY OPERATING ACTIVITIES</b> |                        |                     |
| Operating loss   | \$ (67,530,368)        | \$ (810,953)        |
| Adjustments to reconcile operating loss to net cash<br>used by operating activities:     |                        |                     |
| Depreciation expense   | 4,529,848              | -                   |
| Changes in assets and liabilities:   |                        |                     |
| Accounts receivable - net  | (529,166)              | -                   |
| Inventory  | 10,876                 | 445                 |
| Prepaid expenses   | (357,564)              | 2,509               |
| Loans to students  | 15,385                 | -                   |
| Net OPEB asset   | (641,458)              | -                   |
| Accounts payable   | 555,760                | 67,034              |
| Accrued salaries and related benefits  | (450,307)              | -                   |
| Advances from grantors and students  | 349,116                | -                   |
| Compensated absences   | (489,641)              | -                   |
| Other liabilities  | -                      | 1,575               |
| Other receipts   | 975,847                | -                   |
| <b>Net Cash Used by Operating Activities</b>   | <b>\$ (63,561,672)</b> | <b>\$ (739,390)</b> |

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

## 1. ORGANIZATION AND NATURE OF ACTIVITIES

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

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

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

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

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

June 30, 2013

The District's financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The budgetary and financial accounts of the District are recorded and maintained in accordance with the *Budget and Accounting Manual* issued by the Chancellor's Office of the California Community Colleges.

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

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

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Stanislaus County Treasury as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635, pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes, or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and includes accrued interest. The pool has deposits and investments with a weighted-average maturity of less than five years. As of June 30, 2013, the fair value of the County pool is 100.5% of the carrying value and is deemed to represent a material difference. Derivatives are prohibited within the County investment pool. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains and losses is independent of the calculation of the net increase or decrease in the fair value of restricted cash and cash equivalents. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net decrease in fair value of restricted cash and cash equivalents during the year ended June 30, 2013, was \$681,222. This amount takes into account all changes in fair value, including purchases and sales that occurred during the year.

**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 California. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District utilizes the allowance method with respect to its accounts receivable. The allowance was \$493,439 at June 30, 2013.

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

***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.

***Long-Term Investments*** Long-term investments are reported at fair value. Fair value is determined from quoted market prices. The District is restricted by state law and the Board's investment policy in the types of investments that can be made. Permissible investments include the county treasury, the state 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.

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

Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 50 years for buildings, 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.

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

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

***Compensated Absences*** Compensated absences' costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year end as liabilities of the District. The District has a load-banking program for eligible faculty employees whereby the employee may accrue overload service toward a paid leave.

***Bond Premium*** Bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are recorded as long-term liabilities.

***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 only has one item that qualifies for reporting in this category, which is the 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.

In addition to liabilities, the statement of net position will sometimes report 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 does not have any item of this type.

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

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

***Restricted Net Position – Nonexpendable:*** Consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be expended or added to principal depending on donor stipulations.

***Restricted Net Position – Expendable:*** Includes resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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

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

*Operating Revenues:* Include activities that have the characteristics of exchange transactions such as: (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises; and (3) most federal, state, and local grants and contracts, and federal appropriations.

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

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

**Risk Management** The District retains risk for liability and 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.

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

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

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

***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 of 55% in December, 40% in April, 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.

June 30, 2013

**3. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The following is a summary of cash and cash equivalents and investments at June 30, 2013:

|  | <b>Fair Value</b>              |                     |
|--|--------------------------------|---------------------|
|  | <b>Primary<br/>Institution</b> | <b>Foundations</b>  |
| PETTY CASH/CASH AWAITING DEPOSIT                       | \$ 73,151                      | \$ 460              |
| DEPOSITS (1)   | 4,098,988                      | 509,519             |
| INVESTMENTS THAT ARE NOT SECURITIES (2)                |                                |                     |
| County treasurer's investment pool                     | 131,021,041                    | -                   |
| Certificates of deposit                                | 1,682,441                      | -                   |
| Money market mutual funds                              | 1,256,700                      | 470,166             |
| Artwork and furniture                                  | -                              | 10,000              |
| <b>Subtotal</b>  | <b>133,960,182</b>             | <b>480,166</b>      |
| INVESTMENT SECURITIES                                  |                                |                     |
| U.S. treasury securities                               | 494,937                        | 613,273             |
| Corporate bonds  | 162,406                        | 840,885             |
| Bond mutual funds                                      | 67,034                         | 1,874,904           |
| Equity mutual funds                                    | 167,985                        | 694,553             |
| Equity securities                                      | 73,003                         | 4,400,973           |
| <b>Subtotal</b>  | <b>965,365</b>                 | <b>8,424,588</b>    |
| <b>Total Cash and Cash Equivalents and Investments</b> | <b>\$ 139,097,686</b>          | <b>\$ 9,414,733</b> |

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



June 30, 2013

**Custodial Credit Risk – Deposits**

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District and the Foundations do not have a deposit policy for custodial credit risk. As of June 30, 2013, the District's and the Foundations' bank balances were exposed to custodial credit risk as follows:

|   | <b>Primary<br/>Instituion</b> | <b>Foundations</b> |
|---|-------------------------------|--------------------|
| Uninsured and collateral held by pledging bank's trust<br>department not in the District's name | \$ 464,247                    | \$ 153,764         |

**Primary Institution - Credit Risk – Investments**

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

| <b>Investment Type</b>             | <b>Fair Value</b>     | <b>S &amp; P's Rating as of Year End</b> |                  |                  |                  |                       |
|------------------------------------|-----------------------|--|------------------|------------------|------------------|-----------------------|
|                                    |                       | <b>AAA</b>                               | <b>AA</b>        | <b>A</b>         | <b>A-</b>        | <b>Unrated</b>        |
| County treasurer's investment pool | \$ 131,021,041        | \$ -                                     | \$ -             | \$ -             | \$ -             | \$ 131,021,041        |
| U.S. treasury securities           | 494,937               | 494,937                                  | -                | -                | -                | -                     |
| Corporate bonds                    | 162,406               | -  | 95,000           | 22,260           | 45,146           | -                     |
| Money market mutual funds          | 1,256,700             | -  | -                | -                | -                | 1,256,700             |
| Bond mutual funds                  | 67,034                | -  | -                | -                | -                | 67,034                |
| <b>Totals</b>                      | <b>\$ 133,002,118</b> | <b>\$ 494,937</b>                        | <b>\$ 95,000</b> | <b>\$ 22,260</b> | <b>\$ 45,146</b> | <b>\$ 132,344,775</b> |

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

*Yosemite Community College District*

### Foundations - Credit Risk – Investments

The Foundations' investment policy requires that 80% of the market value of common stocks be rated B+ or better, that convertible preferred stocks and bonds must be rated BBB, and that fixed income securities are 90% of the market value and rated BBB – all by Standard & Poor's or by Moody's indices. The Foundations' investments rated by Standard & Poor's as of June 30, 2013, are as follows:

| Investment Type           | Fair Value          | S & P's Rating as of Year End |                  |                  |                  |                   |                  |                   |                   |                  |                     |
|---------------------------|---------------------|-------------------------------|------------------|------------------|------------------|-------------------|------------------|-------------------|-------------------|------------------|---------------------|
|                           |                     | AAA                           | AA               | AA+              | AA-              | A                 | A+               | A-                | BBB               | BBB+             | Not Rated           |
| U.S. treasury securities  | \$ 613,273          | \$ 613,273                    | \$ -             | \$ -             | \$ -             | \$ -              | \$ -             | \$ -              | \$ -              | \$ -             | \$ -                |
| Corporate bonds           | 840,885             | 5,057                         | 18,932           | 51,166           | 56,299           | 139,757           | 46,340           | 266,541           | 181,404           | 56,785           | 18,604              |
| Money market mutual funds | 470,166             | -                             | -                | -                | -                | -                 | -                | -                 | -                 | -                | 470,166             |
| Bond mutual funds         | 1,874,904           | -                             | -                | -                | -                | -                 | -                | -                 | -                 | -                | 1,874,904           |
| <b>Totals</b>             | <b>\$ 3,799,228</b> | <b>\$ 618,330</b>             | <b>\$ 18,932</b> | <b>\$ 51,166</b> | <b>\$ 56,299</b> | <b>\$ 139,757</b> | <b>\$ 46,340</b> | <b>\$ 266,541</b> | <b>\$ 181,404</b> | <b>\$ 56,785</b> | <b>\$ 2,363,674</b> |

June 30, 2013

**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. The Foundations' investment policy allows for not more than 30% of the portfolio to be invested in one industry sector, and equity securities shall not exceed 5% of the total securities, with total debt and equity not exceeding 10%. One of the Foundations had two investments greater than 5% of the Foundations' total investments, which consisted of \$613,273 in U.S. Treasuries.

**Primary Institution – Interest Rate Risk – Investments**

*California Government Code*, Section 53601, limits the District's investments to maturities of five years. District investments generally have a maturity of less than five years. However, investments for amounts held in trust for others 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, 2013, is as follows:

| Investment Type                    | Fair Value            | Maturity (in Years)   |                   |                  |
|------------------------------------|-----------------------|-----------------------|-------------------|------------------|
|                                    |                       | Less Than 1           | 1-5               | 6-10             |
| County treasurer's investment pool | \$ 131,021,041        | \$ 131,021,041        | \$ -              | \$ -             |
| U.S. treasury securities           | 494,937               | 81,063                | 319,683           | 94,191           |
| Corporate bonds                    | 162,406               | 16,038                | 146,368           | -                |
| Bond mutual funds                  | 67,034                | -                     | 67,034            | -                |
| <b>Totals</b>                      | <b>\$ 131,745,418</b> | <b>\$ 131,118,142</b> | <b>\$ 533,085</b> | <b>\$ 94,191</b> |

**Foundations – Interest Rate Risk – Investments**

The Foundations' investment policy limits fixed income securities to an average duration of six years or less. The schedule of maturities at June 30, 2013, is as follows:

| Investment Type          | Fair Value          | Maturity (in Years) |                     |
|--------------------------|---------------------|---------------------|---------------------|
|                          |                     | Less Than 1         | 1-5                 |
| U.S. treasury securities | \$ 613,273          | \$ 115,802          | \$ 497,471          |
| Corporate bonds          | 840,885             | 86,383              | 754,502             |
| Bond mutual funds        | 1,874,904           | -                   | 1,874,904           |
| <b>Totals</b>            | <b>\$ 3,329,062</b> | <b>\$ 202,185</b>   | <b>\$ 3,126,877</b> |

June 30, 2013

**4. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30, 2013:

|                                  |                      |
|----------------------------------|----------------------|
| Federal grants and contracts     | \$ 3,707,388         |
| State grants and contracts       | 2,679,578            |
| Local grants and contracts       | 1,253,942            |
| State lottery and other revenues | 857,835              |
| State apportionment - noncapital | 13,549,413           |
| State apportionment - capital    | 932                  |
| Tuition and fees                 | 443,612              |
| Auxiliary                        | 161,204              |
| Interest receivable              | 3,039                |
| Miscellaneous                    | 874,146              |
| <b>Total</b>                     | <b>\$ 23,531,089</b> |

**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013, is as follows:

|                                      | Balance<br>July 1, 2012 | Additions            | Deductions           | Balance<br>June 30, 2013 |
|--------------------------------------|-------------------------|----------------------|----------------------|--------------------------|
| <b>NONDEPRECIATED CAPITAL ASSETS</b> |                         |                      |                      |                          |
| Construction in progress             | \$193,524,114           | \$ 41,924,917        | \$ 35,952,591        | \$199,496,440            |
| Land                                 | 9,243,013               | 592,372              | -                    | 9,835,385                |
| <b>DEPRECIATED CAPITAL ASSETS</b>    |                         |                      |                      |                          |
| Site improvements                    | 2,078,360               | 4,750,195            | -                    | 6,828,555                |
| Buildings and improvements           | 123,134,441             | 31,882,082           | -                    | 155,016,523              |
| Equipment                            | 24,288,540              | 1,333,361            | 1,068,178            | 24,553,723               |
| <b>Total Capital Assets</b>          | <b>352,268,468</b>      | <b>80,482,927</b>    | <b>37,020,769</b>    | <b>395,730,626</b>       |
| Less: Accumulated depreciation       | 53,353,763              | 4,529,848            | 1,022,895            | 56,860,716               |
| <b>Total Capital Assets - Net</b>    | <b>\$298,914,705</b>    | <b>\$ 75,953,079</b> | <b>\$ 35,997,874</b> | <b>\$338,869,910</b>     |

**6. LONG-TERM LIABILITIES**

The long-term liabilities activity for the year ended June 30, 2013, is as follows:

|                           | Beginning<br>Balance | Additions            | Payments and<br>Reductions | Ending<br>Balance    | Current<br>Portion  |
|---------------------------|----------------------|----------------------|----------------------------|----------------------|---------------------|
| Compensated absences      | \$ 2,785,900         | \$ -                 | \$ 489,641                 | \$ 2,296,259         | \$ -                |
| General obligation bonds  | 306,156,151          | 59,205,000           | 60,447,976                 | 304,913,175          | 3,246,196           |
| Unamortized bond premiums | 6,435,488            | 6,151,157            | 3,391,544                  | 9,195,101            | 1,210,633           |
| Accreted interest         | 19,668,996           | 8,912,862            | 482,024                    | 28,099,834           | 693,804             |
| <b>Total</b>              | <b>\$335,046,535</b> | <b>\$ 74,269,019</b> | <b>\$ 64,811,185</b>       | <b>\$344,504,369</b> | <b>\$ 5,150,633</b> |

June 30, 2013

**7. BONDED DEBT**

The outstanding general obligation bonded debt is as follows:

|   |                       |
|---|-----------------------|
| 2005 Series A general obligation bond, due in annual installments of \$905,000 to \$4,990,000 beginning August 1, 2006, through August 1, 2029, at interest rates ranging from 3.00% to 5.00%.    | \$ 17,225,000         |
| 2008 Series C general obligation bond, due in annual installments of \$1,422,839 to \$30,685,000 beginning August 1, 2011, through August 1, 2032, at interest rates ranging from 5.00% to 6.05%. | 146,939,185           |
| 2010 Series D general obligation bond, due in annual installments of \$60,000 to \$11,632,383 beginning August 1, 2012, through August 1, 2042, at interest rates ranging from 2.00% to 7.06%.    | 81,543,990            |
| 2012 general obligation bond refunding, due in annual installments of \$1,030,000 to \$5,085,000 beginning August 1, 2013, through August 1, 2029, at interest rates ranging from 2.00% to 5.00%. | 59,205,000            |
| <b>Total</b>  | <b>\$ 304,913,175</b> |

The amount of interest cost incurred during the year ended June 30, 2013, was \$16,317,550, of which \$11,373,596 was capitalized. The annual requirements to amortize the general obligation bonds payable is as follows:

| Year Ending June 30 | Principal             | Interest              | Total                 |
|---------------------|-----------------------|-----------------------|-----------------------|
| 2014                | \$ 3,246,196          | \$ 8,594,879          | \$ 11,841,075         |
| 2015                | 3,617,430             | 8,543,225             | 12,160,655            |
| 2016                | 4,043,498             | 8,470,246             | 12,513,744            |
| 2017                | 4,477,785             | 8,384,629             | 12,862,414            |
| 2018                | 6,057,192             | 8,324,750             | 14,381,942            |
| 2019-2023           | 36,659,597            | 39,507,658            | 76,167,255            |
| 2024-2028           | 65,902,487            | 39,562,241            | 105,464,728           |
| 2029-2033           | 109,918,949           | 50,526,462            | 160,445,411           |
| 2034-2038           | 25,712,740            | 167,253,519           | 192,966,259           |
| 2039-2043           | 45,277,301            | 159,147,229           | 204,424,530           |
| <b>Totals</b>       | <b>\$ 304,913,175</b> | <b>\$ 498,314,838</b> | <b>\$ 803,228,013</b> |

June 30, 2013

**8. 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 | Lease<br>Payments |
|---------------------|-------------------|
| 2014                | \$ 23,369         |
| 2015                | 18,166            |
| 2016                | 18,166            |
| 2017                | 18,166            |
| <b>Total</b>        | <b>\$ 77,867</b>  |

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment. Rent expenses were \$91,895 for the year ended June 30, 2013.

**9. EMPLOYEE RETIREMENT SYSTEMS****California State Teachers' Retirement System****Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, Sacramento, California 95605.

**Funding Policy**

Active plan members are required to contribute 8.00% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Board. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$2,612,538, \$2,642,578, and \$2,796,000, respectively, and equaled 100% of the required contributions for each year.

**Other Information**

Under CalSTRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit, which may be paid on either a current or deferred basis. The District has no obligations to CalSTRS for early retirement incentives granted to terminated employees at June 30, 2013.

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

The District contributes to the California School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from CalPERS, 400 Q Street, Sacramento, California 95811.

**Funding Policy**

Active plan members are required to contribute 7.00% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-13 was 11.417% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$2,976,779, \$2,870,140, and \$2,945,951, respectively, and equaled 100% of the required contribution for each year.

**Accumulation Program for Part-Time and Limited-Service Employees**

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

**On-Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District equaling approximately 5.291% of the covered members' gross salaries. The contribution for the years ended June 30, 2013, 2012, and 2011, are estimated to have been \$1,438,423, \$1,733,493, and \$1,627,197, respectively. A contribution to CalPERS was not required for the years ended June 30, 2013, 2012, and 2011. The payment amounts have not been reported in the basic financial statements as management believes they are immaterial to the financial statements taken as a whole.

**10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)****Plan Description**

In addition to the pension benefits described above, the District provides postemployment health care benefits to employees who retire from the District based on the rule of 70. The rule of 70 is any combination of the retiree's minimum age of 50 and years of regular District service equal to 70 or more. The District covers the retiree and all eligible dependents until the employee reaches age 65. Employees hired prior to July 1, 2004, receive District paid healthcare benefits to the retiree's age of 70. At June 30, 2013, the District has 240 retirees receiving benefits and a total of 722 active participants.

The District provides these benefits through the California School Boards Association GASB 45 Solutions Program (the Trust), an agent multiple-employer defined benefit OPEB plan. The Trust is administered by Public Agency Retirement Services (PARS).

**Funding Policy**

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 and the District 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.



June 30, 2013

**Annual OPEB Cost and Net Other Postemployment Benefit Obligation**

For the year ended June 30, 2013, the District's annual OPEB cost was \$2,169,245. The District's OPEB cost, the percentage of OPEB cost contributed to the Trust, and the net OPEB asset charge for the year ended June 30, 2013, were as follows:

|  |                       |
|--|-----------------------|
| Annual required contribution               | \$ 2,169,245          |
| Interest on net OPEB obligation            | (203,280)             |
| Adjustment to annual required contribution | 165,974               |
| <b>Annual OPEB Cost</b>                    | <b>2,131,939</b>      |
| Contributions                              | 2,773,397             |
| <b>Change in Net OPEB Asset</b>            | <b>(641,458)</b>      |
| <b>Net OPEB Asset - Beginning of Year</b>  | <b>(2,904,001)</b>    |
| <b>Net OPEB Asset - End of Year</b>        | <b>\$ (3,545,459)</b> |

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, 2013, and the two preceding years were as follows:

| <b>Year Ended</b> | <b>Annual<br/>OPEB<br/>Cost</b> | <b>Actual<br/>Employer<br/>Contributions</b> | <b>Percentage<br/>Contributed</b> | <b>Net Ending<br/>OPEB Asset</b> |
|-------------------|---------------------------------|--|-----------------------------------|----------------------------------|
| June 30, 2011     | \$ 2,125,000                    | \$ 2,274,724                                 | 107.05%                           | \$ (272,826)                     |
| June 30, 2012     | \$ 2,165,740                    | \$ 4,796,897                                 | 221.49%                           | \$ (2,904,001)                   |
| June 30, 2013     | \$ 2,131,939                    | \$ 2,773,397                                 | 130.09%                           | \$ (3,545,459)                   |

**Funded Status and Funding Progress**

The funded status of the Trust as of the actuarial valuation dates below was as follows:

|  | <b>December 1, 2011</b> | <b>December 1, 2009</b> |
|--|-------------------------|-------------------------|
| Actuarial accrued liability (AAL)                  | \$ 33,381,704           | \$ 27,239,843           |
| Actuarial value of plan assets                     | 21,653,181              | 14,892,238              |
| <b>Unfunded Actuarial Accrued Liability (UAAL)</b> | <b>\$ 11,728,523</b>    | <b>\$ 12,347,605</b>    |
| Funded ratio (actuarial value of plan assets/AAL)  | 64.87%                  | 54.67%                  |
| Covered payroll (active members)                   | \$ 52,777,883           | \$ 54,571,502           |
| <b>UAAL as a Percentage of Covered Payroll</b>     | <b>22.22%</b>           | <b>22.63%</b>           |

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 health care 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.

**Actuarial Methods and Assumptions**

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

The actuarial assumptions included a 7.0% investment rate of return, compounded annually, net of investment expenses, and an annual health care cost trend rate of 4.0%. 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 unfunded actuarial liability is being amortized over 30 years. The remaining amortization period at June 30, 2013, was 15 years. The actuarial valuation of the Trust assets was set at market value of investments as of the measurement date.

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

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

**Construction Project Commitments**

The District entered into several construction commitments with a total estimated cost of \$13,332,792 during the fiscal year ended June 30, 2013, and \$10,419,500 in additional commitments subsequent to year end.

**12. JOINT POWERS 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.

June 30, 2013

**13. COMPONENT UNITS**

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

|                               | <b>Modesto<br/>Junior<br/>College<br/>Foundation</b> | <b>Columbia<br/>College<br/>Foundation</b> | <b>Great<br/>Valley<br/>Museum<br/>Foundation</b> | <b>Foundation<br/>Totals</b> |
|-------------------------------|--|--|---|------------------------------|
| Total assets                  | \$ 8,059,946   | \$ 1,027,822                               | \$ 573,126  | \$ 9,660,894                 |
| Total liabilities             | 323,778  | 24,735                                     | 82,670  | 431,183                      |
| <b>Net Position</b>           | <b>\$ 7,736,168</b>                                  | <b>\$ 1,003,087</b>                        | <b>\$ 490,456</b>                                 | <b>\$ 9,229,711</b>          |
| Total revenues                | \$ 1,282,081   | \$ 248,406                                 | \$ 212,124  | \$ 1,742,611                 |
| Total expenses                | 557,581  | 163,150                                    | 90,222  | 810,953                      |
| <b>Change in Net Position</b> | <b>\$ 724,500</b>                                    | <b>\$ 85,256</b>                           | <b>\$ 121,902</b>                                 | <b>\$ 931,658</b>            |

**14. CHANGE IN ACCOUNTING PRINCIPLES**

The District adopted the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, effective July 1, 2012. The beginning net position was increased by \$28,144,336 as a result of capitalizing interest costs of the bond projects that were previously expensed.

The District adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The District has implemented this reporting for the year ended June 30, 2013. The components of net position were renamed to reflect the requirements of this statement.

The District adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2013. This statement improves financial reporting by clarifying the appropriate use of the financial elements deferred outflows of resources and deferred inflows of financial resources to ensure consistency in financial reporting. The District implemented this statement in the year ended June 30, 2013. As a result, prior-year deferred bond issuance costs of \$4,734,965 have been expensed. In addition, \$5,690,743, representing the difference between the reacquisition price and the net carrying amount of the old general obligation bonds on the current year's refunding, has been reported as "deferred outflows of resources" and will be recognized as a component of interest expense over the remaining life of the refunded debt, which is shorter than the life of the new debt issued.

**15. BOND REFUNDING**

On August 8, 2012, the District issued \$59,205,000 of Series 2012 general obligation refunding bonds at a premium of \$6,151,157 to advance refund \$57,150,000 of the Series 2005A tax-exempt general obligation bonds. Resources totaling \$64,990,980 were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$65,502,750 of general obligation bonds. As a result, the refunded general obligation bonds are considered defeased. This advanced refunding was undertaken to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding general obligation bonds) of \$4,292,341. As a result, the refunded general obligation bonds are considered defeased and the liability has been removed from long-term debt. Outstanding defeased general obligation bonds at June 30, 2013, were \$57,150,000.

**16. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS**

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. This statement will improve accounting and financial reporting by state and local governments for defined benefit pensions and defined contribution pensions. The statement will also improve information provided by state and local governmental employers about financial support for pensions that are provided by other entities. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2014, will have on the District's financial statements, if any.

## **SUPPLEMENTARY INFORMATION SECTION**

## ORGANIZATION STRUCTURE

June 30, 2013

*Yosemite Community College District*

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

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

### GOVERNING BOARD

| Name               | Office     | Term Expires |
|--------------------|------------|--------------|
| Abe Rojas          | Chair      | 2016         |
| Lynn Martin, Ph.D. | Vice Chair | 2014         |
| Linda Flores       | Member     | 2016         |
| Anne DeMartini     | Member     | 2014         |
| Mike Riley         | Member     | 2016         |
| Don Viss           | Member     | 2014         |
| Tom Hallinan       | Member     | 2016         |

### ADMINISTRATION

Dr. Joan E. Smith  
Chancellor

Ms. Teresa Scott  
Executive Vice Chancellor, Fiscal Services

Ms. Victoria Simmons  
Interim Vice Chancellor, Human Resources

Ms. Deborah Campbell  
Acting Assistant Chancellor, Information Technology

Ms. Jill Stearns  
President, Modesto Junior College

Dr. Leslie Buckalew  
Acting President, Columbia College

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

June 30, 2013

*Yosemite Community College District*

The full-time equivalent resident students (FTES) eligible for 2012-13 state apportionment reported to the State of California as of June 30, 2013, are summarized below:

|  | <b>Reported<br/>Data</b> |
|--|--------------------------|
| <b>SUMMER INTERSESSION (Summer 2012 only)</b>                    |                          |
| Noncredit  | 26                       |
| Credit   | 1,139                    |
| <b>SUMMER INTERSESSION (Summer 2013 - Prior to July 1, 2013)</b> |                          |
| Credit   | 821                      |
| <b>PRIMARY TERMS (Exclusive of Summer Intersession)</b>          |                          |
| Census Procedure Courses   |                          |
| Weekly Census Contact Hours                                      | 13,018                   |
| Daily Census Contact Hours                                       | 781                      |
| Actual Hours of Attendance Procedure Courses                     |                          |
| Noncredit  | 171                      |
| Credit   | 132                      |
| Independent Study/Work Experience                                |                          |
| Weekly Census Contact Hours                                      | 41                       |
| Daily Census Contact Hours                                       | 5                        |
| <b>Total FTES</b>  | <b>16,134</b>            |
| <b>SUPPLEMENTAL INFORMATION (Subset of Above Information)</b>    |                          |
| IN-SERVICE TRAINING COURSES (FTES)                               | 16                       |
| BASIC SKILLS COURSES AND IMMIGRANT EDUCATION (FTES)              |                          |
| Noncredit  | 101                      |
| Credit   | 744                      |
| <b>CDCP NONCREDIT FTES</b>                                       | <b>92</b>                |

*See the accompanying note to the supplementary information.*

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

Yosemite Community College District

Page 1 of 2

|   | Pass Through/<br>Grant Number | Federal<br>CFDA<br>Number | Current<br>Year   |
|---|-------------------------------|---------------------------|-------------------|
| <b>FEDERAL DIRECT AWARDS</b>  |                               |                           |                   |
| U.S. DEPARTMENT OF EDUCATION  |                               |                           |                   |
| Student Financial Assistance Cluster                                |                               |                           |                   |
| Federal Pell Grant  |                               | 84.063                    | \$ 29,050,905     |
| Federal Supplemental Educational Opportunity Grant                  |                               | 84.007                    | 586,250           |
| Federal Work-Study  |                               | 84.033                    | 399,334           |
| <b>Total Student Financial Assistance Cluster</b>                   |                               |                           | <b>30,036,489</b> |
| TRIO Cluster  |                               |                           |                   |
| Talent Search   |                               | 84.044                    | 261,691           |
| Upward Bound  |                               | 84.047                    | 534,788           |
| Student Support Services  |                               | 84.042                    | 513,316           |
| <b>Total TRIO Cluster</b>   |                               |                           | <b>1,309,795</b>  |
| Higher Education - Institutional Aid                                |                               |                           |                   |
| Higher Education - Institutional Aid, Strengthening Student Success |                               | 84.031S                   | 514,497           |
| Higher Education - Modesto Junior College STEM Learning Connections |                               | 84.031C                   | 910,383           |
| Higher Education - Institutional Aid, Improving Instruction         |                               | 84.031A                   | 243,431           |
| <b>Total Higher Education - Institutional Aid</b>                   |                               |                           | <b>1,668,311</b>  |
| Model Course Material Rental Program                                |                               | 84.116T                   | 44,432            |
| <b>Total Direct U.S. Department of Education</b>                    |                               |                           | <b>33,059,027</b> |
| DEPARTMENT OF VETERANS AFFAIRS                                      |                               |                           |                   |
| Post - Vietnam Era Veterans' Educational Assistance                 |                               | 64.120                    | 7,301             |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT                    |                               |                           |                   |
| Hispanic - Serving Institution Assisting Communities                | HSIAC-10-CA-33                | 14.514                    | 116,532           |
| NATIONAL SCIENCE FOUNDATION   |                               |                           |                   |
| S-STEM  |                               | 47.076                    | 158,226           |
| Advanced Technology Education Program                               |                               | 47.076                    | 81,866            |
| <b>Total National Science Foundation</b>                            |                               |                           | <b>240,092</b>    |
| <b>FEDERAL AWARDS PASSED THROUGH OTHER AGENCIES</b>                 |                               |                           |                   |
| Passed Through Georgetown University                                |                               |                           |                   |
| AGENCY FOR INTERNATIONAL DEVELOPMENT                                |                               |                           |                   |
| SEED  |                               | 98.001                    | 311,632           |
| U.S. DEPARTMENT OF EDUCATION  |                               |                           |                   |
| Passed Through California Department of Education                   |                               |                           |                   |
| Career and Technical Education:                                     |                               |                           |                   |
| Block Grant   | 10-C01-070                    | 84.048                    | 836,202           |
| Tech Prep   | CN100094                      | 84.048                    | 77,612            |
| Leadership  | 10-342-001                    | 84.048                    | 139,542           |
| Passed Through Reedly College                                       |                               |                           |                   |
| Curriculum Development Improvement                                  |                               | 84.048                    | 51,394            |
| <b>Total Career and Technical Education</b>                         |                               |                           | <b>1,104,750</b>  |
| Passed Through Chancellor's Office                                  |                               |                           |                   |
| IASA - Title - VII Reading Excellence Local Reading                 |                               | 84.338                    | 7,643             |
| <b>Total U.S. Department of Education</b>                           |                               |                           | <b>1,424,025</b>  |
| U.S. DEPARTMENT OF AGRICULTURE                                      |                               |                           |                   |
| Passed Through California Department of Education                   |                               |                           |                   |
| Forest Reserve  |                               | 10.670                    | 15,919            |
| Child and Adult Care Food Program                                   | 04226-CACFP-50-CC-C5          | 10.558                    | 39,838            |
| <b>Total U.S. Department of Agriculture</b>                         |                               |                           | <b>\$ 55,757</b>  |

See the accompanying note to the supplementary information.



**SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS**

Year Ended June 30, 2013

*Yosemite Community College District*

Page 2 of 2

|   | <b>Pass Through/<br/>Grant Number</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Current<br/>Year</b> |
|---|---------------------------------------|------------------------------------|-------------------------|
| <hr/>   |                                       |                                    |                         |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES              |                                       |                                    |                         |
| Passed Through California Department of Education         |                                       |                                    |                         |
| Child Care and Development Block Grant                    | CN100053                              | 93.575                             | \$ 3,469,315            |
| Foster Care   | FKCE                                  | 93.658                             | 78,119                  |
| Head Start  | 09-CH9047/38                          | 93.600                             | 969,917                 |
| Medical Assistance Program (Medi-Cal)                     |                                       | 93.778                             | 79,208                  |
|   |                                       |                                    | <hr/>                   |
| <b>Total U.S. Department of Health and Human Services</b> |                                       |                                    | 4,596,559               |
|   |                                       |                                    | <hr/>                   |
| <b>Total Federal Programs</b>                             |                                       |                                    | \$ 39,499,293           |
|   |                                       |                                    | <hr/>                   |

*See the accompanying note to the supplementary information.*

# SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2013

Yosemite Community College District

|   | Program Entitlements |                      |               | Program Revenues |                     |                  |               | Program Expenditures |  |
|---|----------------------|----------------------|---------------|------------------|---------------------|------------------|---------------|----------------------|--|
|   | Current Year         | Prior-Year Carryover | Total         | Cash Received    | Accounts Receivable | Grantor Advances | Total         |                      |  |
| CATEGORICAL APPORTIONMENTS                          |                      |                      |               |                  |                     |                  |               |                      |  |
| Board Financial Assistance Program                  | \$ 792,760           | \$ -                 | \$ 792,760    | \$ 800,230       | \$ -                | \$ 42,193        | \$ 758,037    | \$ 758,037           |  |
| CalWORKS  | 429,722              | -                    | 429,722       | 477,283          | 42,013              | 102,858          | 416,438       | 416,438              |  |
| Cooperative Agencies Resources for Education        | 141,485              | -                    | 141,485       | 141,485          | -                   | 340              | 141,145       | 141,145              |  |
| Disabled Student Program and Services               | 1,510,860            | -                    | 1,510,860     | 1,548,795        | 14,225              | 51,202           | 1,511,818     | 1,511,818            |  |
| Economic Development                                | 505,787              | 123,250              | 629,037       | 383,619          | 187,072             | 54,932           | 515,759       | 515,759              |  |
| Extended Opportunity Program and Services           | 1,138,983            | -                    | 1,138,983     | 1,122,807        | 19,665              | 8,850            | 1,133,622     | 1,133,622            |  |
| Instructional Equipment                             | -                    | 168,935              | 168,935       | 168,935          | -                   | 158,555          | 10,380        | 10,380               |  |
| Matriculation                                       | 579,345              | -                    | 579,345       | 616,943          | 4,514               | 52,748           | 568,709       | 568,709              |  |
| Staff Diversity                                     | 8,287                | -                    | 8,287         | 15,738           | -                   | 15,366           | 372           | 372                  |  |
| Staff Development                                   | -                    | 6,106                | 6,106         | 29,159           | -                   | 29,159           | -             | -                    |  |
| Temporary Assistance for Needy Families             | 139,629              | -                    | 139,629       | 148,906          | 3,529               | 7,497            | 144,938       | 144,938              |  |
| Subtotal  | 5,246,858            | 298,291              | 5,545,149     | 5,453,900        | 271,018             | 523,700          | 5,201,218     | 5,201,218            |  |
| CATEGORICAL PROGRAM ALLOWANCES                      |                      |                      |               |                  |                     |                  |               |                      |  |
| California Articulation Number                      | -                    | 1,146                | 1,146         | 1,146            | -                   | 694              | 452           | 452                  |  |
| Career Tech Ed/Center of Excellence                 | 351,500              | 654,573              | 1,006,073     | 940,311          | 16,587              | 500,202          | 456,696       | 456,696              |  |
| CCC Live Caption Project                            | -                    | 620                  | 620           | 620              | -                   | 620              | -             | -                    |  |
| Child Care Food                                     | 454,435              | 17,152               | 471,587       | 389,359          | 66,161              | 24,723           | 430,797       | 430,797              |  |
| Early Childhood Education Consortium                | 5,499,450            | 8,490                | 5,507,940     | 1,787,473        | 1,667,345           | -                | 3,454,818     | 3,454,818            |  |
| Foster Care Education                               | 118,053              | -                    | 118,053       | 69,613           | 17,166              | 3,945            | 82,834        | 82,834               |  |
| Funding Obligation Settlement (SB1133)              | -                    | 138,252              | 138,252       | 138,252          | -                   | 138,252          | -             | -                    |  |
| Staff Diversity Registry                            | 191,750              | -                    | 191,750       | 131,781          | 76,227              | -                | 208,008       | 208,008              |  |
| Telecommunications and Tech Infrastructure Programs | -                    | 33,142               | 33,142        | 33,142           | -                   | 27,394           | 5,748         | 5,748                |  |
| Workforce Investment Act/Basic Skills               | 201,369              | 277,573              | 478,942       | 478,942          | 11,383              | 304,416          | 185,909       | 185,909              |  |
| Psych Tech  | 205,420              | 115,438              | 320,858       | 192,515          | 37,096              | 113,986          | 115,625       | 115,625              |  |
| CPEC  | -                    | 7,370                | 7,370         | 8,014            | -                   | 4,014            | 4,000         | 4,000                |  |
| Rural Opportunities                                 | -                    | -                    | -             | (684)            | 684                 | (684)            | 684           | 684                  |  |
| Capacity for Rural Development                      | 648,826              | 854,102              | 1,502,928     | 1,655,774        | 514,192             | 1,352,548        | 817,418       | 817,418              |  |
| Recycling Project                                   | 144,183              | -                    | 144,183       | 16,408           | 1,720               | 4,136            | 13,992        | 13,992               |  |
| EDD/TAA   | 4,494                | -                    | 4,494         | -                | -                   | -                | -             | -                    |  |
| Subtotal  | 7,819,480            | 2,107,858            | 9,927,338     | 5,842,666        | 2,408,561           | 2,474,246        | 5,776,981     | 5,776,981            |  |
| Total State Programs                                | \$ 13,066,338        | \$ 2,406,149         | \$ 15,472,487 | \$ 11,296,566    | \$ 2,679,579        | \$ 2,997,946     | \$ 10,978,199 | \$ 10,978,199        |  |

See the accompanying note to the supplementary information.

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

June 30, 2013

*Yosemite Community College District*

|   | <b>General<br/>Fund</b> | <b>Special<br/>Revenue<br/>Funds</b> | <b>Capital<br/>Projects<br/>Funds</b> | <b>Debt<br/>Service<br/>Funds</b> | <b>Internal<br/>Service<br/>Funds</b> | <b>Trust<br/>Funds</b> | <b>Total</b>          |
|---|-------------------------|--------------------------------------|---------------------------------------|-----------------------------------|---------------------------------------|------------------------|-----------------------|
| <b>June 30, 2013 - Annual Financial and Budget<br/>Report Fund Balances</b> | <u>\$ 21,236,207</u>    | <u>\$ 1,672,720</u>                  | <u>\$ 104,708,424</u>                 | <u>\$ 9,670,207</u>               | <u>\$ 1,907,289</u>                   | <u>\$ 4,079,215</u>    | <u>\$ 143,274,062</u> |
| ADJUSTMENTS INCREASING (DECREASING)<br>THE FUND BALANCES                    |                         |                                      |                                       |                                   |                                       |                        |                       |
| Restricted activity not reported in Fund 12                                 | 64,088                  | -                                    | -                                     | -                                 | -                                     | -                      | 64,088                |
| Understatement of advances from grantors and students                       | (636,585)               | -                                    | -                                     | -                                 | -                                     | -                      | (636,585)             |
| <b>Net Adjustments</b>  | <u>(572,497)</u>        | <u>-</u>                             | <u>-</u>                              | <u>-</u>                          | <u>-</u>                              | <u>-</u>               | <u>(572,497)</u>      |
| <b>June 30, 2013 - Audited Financial Statement<br/>Fund Balances</b>        | <u>\$ 20,663,710</u>    | <u>\$ 1,672,720</u>                  | <u>\$ 104,708,424</u>                 | <u>\$ 9,670,207</u>               | <u>\$ 1,907,289</u>                   | <u>\$ 4,079,215</u>    | <u>\$ 142,701,565</u> |

*See the accompanying note to the other supplementary information.*

# RECONCILIATION OF 50% LAW CALCULATION

June 30, 2013

Yosemite Community College District

Page 1 of 2

|  |                 | Activity (ECSA) ECS 84362 A<br>Instructional Salary Cost<br>AC 0100-5900 and AC 6110 |                      |                 | Activity (ECSB) ECS 84362 B<br>Total CEE<br>AC 0100-679 |                      |                 |
|--|-----------------|--|----------------------|-----------------|---|----------------------|-----------------|
|  | Object<br>Codes | Reported<br>Data   | Audit<br>Adjustments | Revised<br>Data | Reported<br>Data  | Audit<br>Adjustments | Revised<br>Data |
| ACADEMIC SALARIES                      |                 |  |                      |                 |   |                      |                 |
| INSTRUCTIONAL SALARIES                 |                 |  |                      |                 |   |                      |                 |
| Contract or regular                    | 1100            | \$ 18,720,837  | \$ -                 | \$ 18,720,837   | \$ 19,325,205   | \$ -                 | \$ 19,325,205   |
| Other                                  | 1300            | 9,085,402  | -                    | 9,085,402       | 9,168,761   | -                    | 9,168,761       |
| Total Instructional Salaries           |                 | 27,806,239   | -                    | 27,806,239      | 28,493,966  | -                    | 28,493,966      |
| NON-INSTRUCTIONAL SALARIES             |                 |  |                      |                 |   |                      |                 |
| Contract or regular                    | 1200            | -  | -                    | -               | 2,060,981   | -                    | 2,060,981       |
| Other                                  | 1400            | -  | -                    | -               | 3,198,840   | -                    | 3,198,840       |
| Total Non-Instructional Salaries       |                 | -  | -                    | -               | 5,259,821   | -                    | 5,259,821       |
| Total Academic Salaries                |                 | 27,806,239   | -                    | 27,806,239      | 33,753,787  | -                    | 33,753,787      |
| CLASSIFIED SALARIES                    |                 |  |                      |                 |   |                      |                 |
| NON-INSTRUCTIONAL SALARIES             |                 |  |                      |                 |   |                      |                 |
| Regular status                         | 2100            | -  | -                    | -               | 16,659,363  | -                    | 16,659,363      |
| Other                                  | 2300            | -  | -                    | -               | 731,857   | -                    | 731,857         |
| Total Non-Instructional Salaries       |                 | -  | -                    | -               | 17,391,220  | -                    | 17,391,220      |
| INSTRUCTIONAL AIDES                    |                 |  |                      |                 |   |                      |                 |
| Regular status                         | 2200            | 647,265  | -                    | 647,265         | 647,265   | -                    | 647,265         |
| Other                                  | 2400            | 13,759   | -                    | 13,759          | 13,919  | -                    | 13,919          |
| Total Instructional Aides              |                 | 661,024  | -                    | 661,024         | 661,184   | -                    | 661,184         |
| Total Classified Salaries              |                 | 661,024  | -                    | 661,024         | 18,052,404  | -                    | 18,052,404      |
| OTHER                                  |                 |  |                      |                 |   |                      |                 |
| Employee benefits                      | 3000            | 8,180,012  | -                    | 8,180,012       | 19,461,216  | -                    | 19,461,216      |
| Supplies and materials                 | 4000            | -  | -                    | -               | 1,262,435   | -                    | 1,262,435       |
| Other operating expenses               | 5000            | 41,880   | -                    | 41,880          | 5,665,341   | -                    | 5,665,341       |
| Equipment replacement                  | 6420            | -  | -                    | -               | -   | -                    | -               |
| Total Other                            |                 | 8,221,892  | -                    | 8,221,892       | 26,388,992  | -                    | 26,388,992      |
| Total Expenditures Prior to Exclusions |                 | \$ 36,689,155  | \$ -                 | \$ 36,689,155   | \$ 78,195,183   | \$ -                 | \$ 78,195,183   |

See the accompanying note to the supplementary information.

# RECONCILIATION OF 50% LAW CALCULATION

June 30, 2013

Yosemite Community College District

Page 2 of 2

|  |                 | Activity (ECSA) ECS 84362 A<br>Instructional Salary Cost<br>AC 0100-5900 and AC 6110 |                      |                 | Activity (ECSB) ECS 84362 B<br>Total CEE<br>AC 0100-679 |                      |                 |
|--|-----------------|--|----------------------|-----------------|---|----------------------|-----------------|
|  | Object<br>Codes | Reported<br>Data   | Audit<br>Adjustments | Revised<br>Data | Reported<br>Data  | Audit<br>Adjustments | Revised<br>Data |
| <b>EXCLUSIONS</b>  |                 |  |                      |                 |   |                      |                 |
| ACTIVITIES TO EXCLUDE  |                 |  |                      |                 |   |                      |                 |
| Instructional Staff-Retirees' Benefits and Retirement Incentives     | 5900            | \$ -   | \$ -                 | \$ -            | \$ -  | \$ -                 | \$ -            |
| Student Health Services Above Amount Collected                       | 6441            | -  | -                    | -               | -   | -                    | -               |
| Student Transportation   | 6491            | -  | -                    | -               | 304,161   | -                    | 304,161         |
| Non-instructional Staff Retirees' Benefits and Retirement Incentives | 6740            | -  | -                    | -               | 1,200,000   | -                    | 1,200,000       |
| <b>Total Instructional Salaries</b>                                  |                 | -  | -                    | -               | 1,504,161   | -                    | 1,504,161       |
| OBJECTS TO EXCLUDE   |                 |  |                      |                 |   |                      |                 |
| Rents and leases   | 5060            | -  | -                    | -               | 75,812  | -                    | 75,812          |
| Lottery expenditures   |                 | -  | -                    | -               | -   | -                    | -               |
| Academic salaries  | 1000            | -  | -                    | -               | -   | -                    | -               |
| Classified salaries  | 2000            | -  | -                    | -               | -   | -                    | -               |
| Employee benefits  | 3000            | -  | -                    | -               | -   | -                    | -               |
| <b>Subtotal</b>  |                 | -  | -                    | -               | 75,812  | -                    | 75,812          |
| Supplies and materials:  | 4000            |  |                      |                 |   |                      |                 |
| Software   | 4100            | -  | -                    | -               | -   | -                    | -               |
| Books, magazines, and periodicals                                    | 4200            | -  | -                    | -               | -   | -                    | -               |
| Instructional supplies and materials                                 | 4300            | -  | -                    | -               | -   | -                    | -               |
| Non-instructional supplies and materials                             | 4400            | -  | -                    | -               | -   | -                    | -               |
| <b>Total Supplies and Materials</b>                                  |                 | -  | -                    | -               | -   | -                    | -               |
| Other operating expenses and services                                | 5000            | -  | -                    | -               | 2,006,677   | -                    | 2,006,677       |
| Capital outlay   | 6000            | -  | -                    | -               | -   | -                    | -               |
| Library books  | 6300            | -  | -                    | -               | -   | -                    | -               |
| <b>Subtotal</b>  |                 | -  | -                    | -               | 2,006,677   | -                    | 2,006,677       |
| Equipment  | 6400            |  |                      |                 |   |                      |                 |
| Equipment - additional   | 6410            | -  | -                    | -               | -   | -                    | -               |
| Equipment - replacement  | 6420            | -  | -                    | -               | 1,237,878   | -                    | 1,237,878       |
| <b>Total Equipment</b>   |                 | -  | -                    | -               | 1,237,878   | -                    | 1,237,878       |
| <b>Total Capital Outlay</b>  |                 | -  | -                    | -               | 1,237,878   | -                    | 1,237,878       |
| Other outgo  | 7000            | -  | -                    | -               | -   | -                    | -               |
| <b>Total Exclusions</b>  |                 | -  | -                    | -               | 4,824,528   | -                    | 4,824,528       |
| <b>Total for ECS 84362 - 50% Law</b>                                 |                 | \$ 36,689,155  | \$ -                 | \$ 36,689,155   | \$ 73,370,655   | \$ -                 | \$ 73,370,655   |
| <b>Percentage of CEE (Instructional Salary Cost/Total CEE)</b>       |                 | 50.01%   | 0.00%                | 50.01%          |   |                      |                 |
| <b>50% of Current Expense of Education</b>                           |                 |  |                      |                 | \$ 36,685,330   | \$ -                 | \$ 36,685,330   |

See the accompanying note to the supplementary information.

**RECONCILIATION OF EDUCATION  
PROTECTION ACCOUNT EXPENDITURES**

June 30, 2013

*Yosemite Community College District*

|  | <b>Object<br/>Code</b> | <b>Salaries and<br/>Benefits<br/>(1000-3000)</b> | <b>Operating<br/>Expenses<br/>(4000-5000)</b> | <b>Capital<br/>Outlay<br/>(6000)</b> | <b>Total</b>  |
|--|------------------------|--|---|--------------------------------------|---------------|
| <b>EPA Proceeds</b>                    | 8630                   |  |   |                                      | \$ 13,044,275 |
| <b>Activity Classification:</b>        |                        |  |   |                                      |               |
| Instructional activities               | 0100-5900              | \$ 13,044,275                                    | \$ -  | \$ -                                 | 13,044,275    |
| <b>Total Revenue Less Expenditures</b> |                        |  |   |                                      | \$ -          |

*See the accompanying note to the other supplementary information.*

**NOTE TO THE SUPPLEMENTARY  
INFORMATION**

June 30, 2013

*Yosemite Community College District*

**PURPOSE OF SCHEDULES**

**Schedule of Workload Measures for State General Apportionments/Annual Attendance**

A full-time equivalent student is a measurement of the number of hours students attend classes. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to community college districts.

**Schedules of Expenditures of Federal and State Awards**

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

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

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Form CCFS-311 to the audited financial statements other than those adjustments related to the conversion required by GASB Statement Nos. 34 and 35.

**Reconciliation of 50% Law Calculation**

This schedule provides the information necessary to reconcile the 50% law calculation as reported on the Form CCFS-311 to the audited financial statements.

**Reconciliation of Education Protection Account Expenditures**

This schedule provides the information necessary to reconcile the Education Protection Account Expenditures reported on the Form CCFS-311 to the audited financial statements.

## **OTHER REPORTS SECTION**



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

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

We have audited, 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, the financial statements of the business-type activities of Yosemite Community College District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 20, 2013.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

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

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

Continued

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Matson and Isom*

November 20, 2013  
Chico, California

**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

To the 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 (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the 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, 2013.

**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

Continued

**Report on Internal Control Over Compliance**

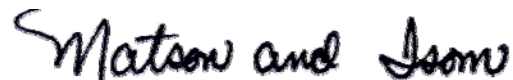
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*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.

**Purpose of This Report**

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 the testing, based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



November 20, 2013  
Chico, California



MATSON  
& ISOM

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

### **Compliance**

We have audited the Yosemite Community College District's (the District) compliance with the types of state compliance requirements described in the *California Community Colleges Contracted District Audit Manual 2012-13*, published by the California Community Colleges Chancellor's Office, for the year ended June 30, 2013. The applicable state compliance requirements are identified in the table below.

### ***Management's Responsibility***

Compliance with the requirements referred to above is the responsibility of the District's management.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on District's compliance with the state laws and regulations based on our audit.

We conducted our audit 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 *California Community Colleges Contracted District Audit Manual 2012-13*, published by the California Community Colleges Chancellor's Office. Those standards and the *California Community Colleges Contracted District Audit Manual 2012-13*, 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 compliance with the state laws and regulations described in the schedule below. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination of the District's compliance with those requirements.

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Continued

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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  
GANN LIMIT CALCULATION  
CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CalWORKs)  
OPEN ENROLLMENT  
STUDENT FEES - INSTRUCTIONAL AND OTHER MATERIALS  
STUDENT FEES - HEALTH FEES AND USE OF HEALTH FEE FUNDS  
EXTENDED OPPORTUNITY PROGRAMS AND SERVICES (EOPS) AND COOPERATIVE AGENCIES  
RESOURCES FOR EDUCATION (CARE)  
DISABLED STUDENT PROGRAMS AND SERVICES (DSPS)  
TO BE ARRANGED HOURS (TBA)  
PROPOSITION 1D STATE BOND FUNDED PROJECTS  
PROPOSITION 30 EDUCATION PROTECTION ACCOUNT FUNDS

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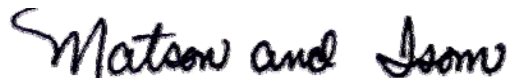
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### *Opinion*

In our opinion, the District complied, in all material respects, with the state laws and regulations referred to above that are applicable to the District for the year ended June 30, 2013.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of compliance, and the results of that testing, based on the *California Community Colleges Contracted District Audit Manual 2012-13*. Accordingly, this report is not suitable for any other purpose.



November 20, 2013  
Chico, California

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS SECTION**

# **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2013

*Yosemite Community College District*

## **SECTION I SUMMARY OF AUDIT RESULTS**

### **FINANCIAL STATEMENTS**

|   |               |
|---|---------------|
| Type of auditors' report issued:  | Unmodified    |
| Internal control over financial reporting:                                    |               |
| Material weaknesses identified?   | No            |
| Significant deficiencies identified not considered to be a material weakness? | None reported |
| Noncompliance material to financial statements noted?                         | No            |

### **FEDERAL AWARDS**

|   |  |
|---|--|
| Internal control over major programs:   |  |
| Material weaknesses identified?   | No                                     |
| Significant deficiencies identified not considered to be material a weakness?                                     | None reported                          |
| Type of auditors' report issued on compliance for major program:  | Unmodified                             |
| Audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)? | No                                     |
| Identification of major programs:   |  |
| CFDA Nos. 84.007, 84.033, 84.063  | Student Financial Assistance Cluster   |
| CFDA No. 93.575   | Child Care and Development Block Grant |
| CFDA Nos. 84.044, 84.047, 84.042  | TRIO Cluster                           |
| CFDA Nos. 84.031A, 84.031C, 84.031S   | Higher Education – Institutional Aid   |
| Threshold for distinguishing types A and B programs:  | \$1,184,979                            |
| Auditee qualifies as low-risk auditee?  | Yes                                    |

### **STATE AWARDS**

|   |               |
|---|---------------|
| Internal control over state programs:   |               |
| Material weaknesses identified?   | No            |
| Significant deficiencies identified not considered to be a material weakness? | None reported |
| Type of auditors' report issued on compliance for state programs:             | Unmodified    |



**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

June 30, 2013

*Yosemite Community College District*

**SECTION II FINDINGS  
FINANCIAL STATEMENT AUDIT**

None.

**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

June 30, 2013

*Yosemite Community College District*

**SECTION III FINDINGS  
FEDERAL AWARDS AUDIT**

None.

**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

June 30, 2013

*Yosemite Community College District*

**SECTION IV FINDINGS  
STATE AWARDS AUDIT**

None.

**CORRECTIVE ACTION PLAN**

June 30, 2013

*Yosemite Community College District*

Not applicable: there are no current-year findings related to federal awards.

# **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

June 30, 2013

*Yosemite Community College District*

## **DISABLED STUDENT PROGRAMS AND SERVICES (DSPS)**

12-1

### **Significant Deficiency**

#### **Condition**

During our testing of 30 students, we discovered two student files that did not contain the required documentation. One file was missing the DSPS application, verification of disability, and notification of rights and responsibilities. The other student file was missing the DSPS application.

#### **Criteria**

Pursuant to the California Community Colleges Chancellors' Office report titled, *Implementing Guidelines for Title 5 Regulations – DSPS*, the District must maintain student files that contain at a minimum the following documents:

1. A signed application for services and verification of enrollment at the community college;
2. Verification of disability and identification of educational limitation(s) due to the disability;
3. *A Student Educational Contract*; and
4. Documentation of services provided.

#### **Effect**

There is a potential for noncompliance with the California Community Colleges Chancellor's Office *Implementing Guidelines for Title 5 Regulations – DSPS*, due to lack of effective monitoring and retention of student files.

#### **Recommendation**

We recommend that the District develop and complete a checklist that includes all of the required file documents for each student.

#### **Current Status**

Fully implemented.

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

June 30, 2013

*Yosemite Community College District*

**STATE COMPLIANCE (State General Apportionment Funding System)**

12-2

**Significant Deficiency**

**Condition**

During our testing of full-time equivalent students (FTES) we noted that electronically submitted documents or written certifications from instructors certifying the accurate attendance accounting could not be located for the daily, weekly, and alternative census types.

**Criteria**

Districts shall, according to procedures adopted by the governing board, clear the rolls of inactive enrollment (5 CCR 58004(c)).

Additionally, the District's Administrative Procedure 5070-Attendance, states the following:

Prior to the census day, the instructor will drop those students who are "No shows" or who, in the judgment of the instructor, are no longer attending class (Title 5, Section 58004). Between the census day and fourteenth week of the semester (or 75% of the days of instruction, whichever is less), dropping the class is the student's responsibility; however, instructors may drop students who exceed allowed unexcused absences or who are not actively participating in the class as outlined in the instructor's syllabus.

**Effect**

Without strengthening internal controls over the FTES reporting process, apportionment attendance may not be properly claimed.

***Recommendation***

To strengthening the internal control procedures over the accurate reporting of FTES, we recommend that the District implement the following:

1. Establish procedures for the certification of weekly, daily, and alternative census type classes and provide training to the instructors in regards to that certification process.
2. Retain positive attendance records in the Admissions and Records office and reconcile those records to the hours submitted by the instructor.

***Current Status***

Fully implemented.