

YOSEMITE COMMUNITY COLLEGE DISTRICT
Modesto, California

FINANCIAL STATEMENTS
June 30, 2014

YOSEMITE COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2014

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YOSEMITE COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Yosemite Community College District
Modesto, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Yosemite Community College District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Yosemite Community College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of Yosemite Community College District, as of June 30, 2014, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 15 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

The Organization on page 47 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014 on our consideration of Yosemite Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Yosemite Community College District's internal control over financial reporting and compliance.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 20, 2014

MANAGEMENT'S DISCUSSION
AND ANALYSIS
June 30, 2014

Yosemite Community College District

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplemental Information)

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the Yosemite Community College District (the District) for the year ended June 30, 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements, including the notes thereto, which follow this section.

HISTORY

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

ACCOUNTING STANDARDS

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

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

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

FINANCIAL HIGHLIGHTS

The 2013-14 Budget Act included a 1.57% or \$1,264,000, cost-of-living adjustment (COLA) and full-time equivalent student (FTES) restoration of 1.63% or \$1,226,000. This resulted in total new District apportionment revenue for 2013-14 of \$2,490,000.

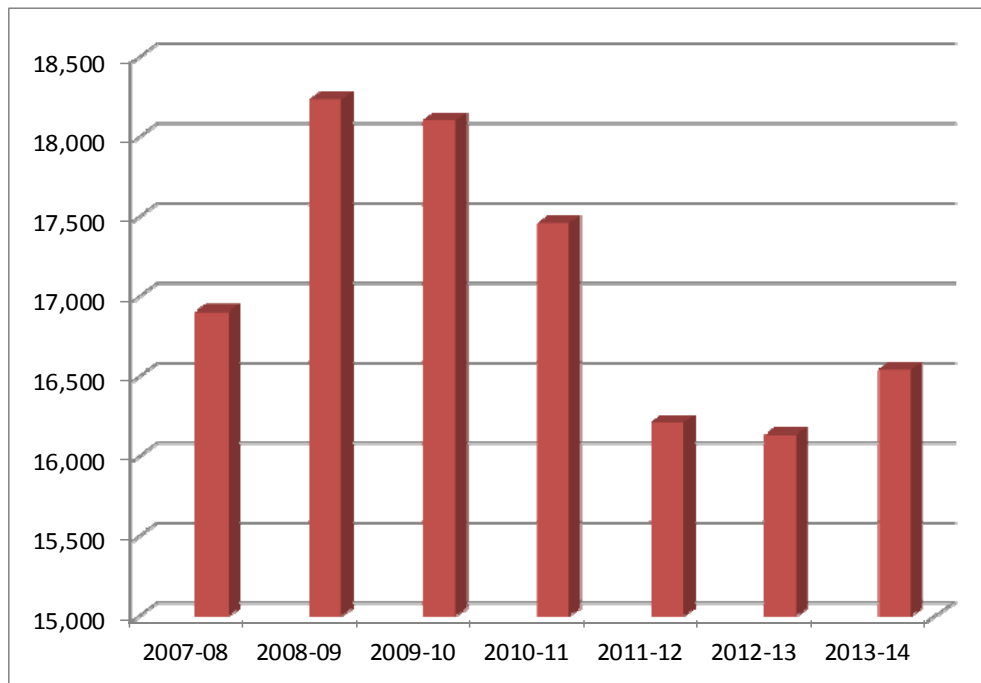
The District recorded \$82,238,673 of state apportionment which is about \$748,614 less than earlier projections due to a shortfall in meeting the 3% FTES growth target set by the District. The District utilized \$1,350,000 of the contingency account set aside to protect the District in the event that the Proposition 30 tax initiative did not pass in November 2012 for the achievement of the 3% growth target.

The District and the bargaining units and the Leadership team of the District finalized salary and benefit negotiations for the 2013-14. All settlements include a 2% increase per bargaining unit and Leadership Team with a total cost of \$1,276,331 for 2013-14.

ATTENDANCE

Due to the availability of restoration in the Budget Act, the District reported and was funded for 408 more full-time equivalent students (FTES) in 2013-14 than in 2012-13. Actual FTES reported in 2013-14 was 16,541. The chart below shows actual FTES reported for 2013-14 fiscal year as well as the previous six years.

**Annual FTES
Credit/Noncredit Resident Students**



GENERAL FUND RESERVE

The District has a designated reserve in the General Fund of \$8.8 million or approximately 10% of the General Fund unrestricted expenditures budget for 2013-14. For the 2014-15 budget year, the District has a 10% designated reserve on the General Fund unrestricted budgeted expenditures, a \$2.25 million additional reserve to be allocated over the next few years on a one-time basis, \$439,000 reserved for excess vacation accrual, and just above \$1 million in undesignated reserves.

SALARIES AND BENEFITS

All employees received a 2% cost of living (COLA) adjustment for the 2013-14 fiscal year. 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 \$18,108. There will be no cost of living salary adjustment for District employee groups in 2014-15; however, the District paid base health plan will increase to \$18,582 per eligible employee.

ECONOMIC FACTORS AFFECTING THE FUTURE

The 2014-15 State Budget Act includes a COLA of 0.85% and growth rate of 2.75%. The colleges of the District are targeting FTES consistent with prior year for the 2014-15 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, 2014, was \$25,001,040. 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, 2013, was \$1,753,417. When taking into account interest and amortization adjustments, the beginning obligation and the District contribution in 2013-14 of \$1,200,000, which includes the ARC, the net annual OPEB obligation (OPEB asset) at June 30, 2014, is positive \$2,903,169. The positive balance will be recognized in the 2014-15 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, MJC Roadways, CC Science Natural Resources Building, Columbia College (CC) bus service loop/disabled parking lot, CC 200 space parking lot, CC child development center, CC Madrone building modernization, CC Public Safety Center, CC roadways, Central Services (CS) Ag trailers, CS master plan, and CS Capital Outlay Debt

Service. The District purchased land for future educational sites in Patterson, Calaveras, and Turlock, California.

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 stop lights, and adding solar energy to the District's sites. The 2013-14 year was an extraordinary year of construction and development for the District's Measure E projects.

STATEMENTS OF NET POSITION

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

	<u>2014</u>	<u>2013</u>	<u>Change</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 25,382,653	\$ 17,624,472	44%
Receivables	18,743,827	23,531,089	-20%
Inventory, prepaid, and other assets	1,654,886	1,080,215	53%
Total Current Assets	<u>45,781,366</u>	<u>42,235,776</u>	8%
NONCURRENT ASSETS			
Restricted cash and cash equivalents	101,090,265	120,507,849	-16%
Long-term investments	996,804	965,365	3%
Loans to students	148,632	147,775	1%
Net OPEB asset	2,903,169	3,545,459	-18%
Capital assets - net	365,167,641	338,869,910	8%
Total Noncurrent Assets	<u>470,306,511</u>	<u>464,036,358</u>	1%
Total Assets	<u>516,087,877</u>	<u>506,272,134</u>	2%
DEFERRED OUTFLOW OF RESOURCES			
Deferred loss on refunding	4,979,400	5,383,889	-8%
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	10,052,999	10,402,542	-3%
Advances from grantors and students	10,485,896	9,266,276	13%
Other current liabilities	12,929,607	12,538,009	3%
Total Current Liabilities	<u>33,468,502</u>	<u>32,206,827</u>	4%
NONCURRENT LIABILITIES			
Long-term liabilities - noncurrent portion	341,119,833	337,057,477	1%
Total Liabilities	<u>374,588,335</u>	<u>369,264,304</u>	1%
NET POSITION			
Net investment on capital assets	122,195,749	101,352,462	21%
Restricted	15,071,858	22,082,087	-32%
Subtotal	<u>137,267,607</u>	<u>123,434,549</u>	11%
Unrestricted:			
General Reserve	8,800,000	8,500,000	4%
Contingency reserve and other designations	411,335	10,457,170	-96%
Total Unrestricted	<u>9,211,335</u>	<u>18,957,170</u>	-51%
Total Net Position	<u>\$ 146,478,942</u>	<u>\$ 142,391,719</u>	3%

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.

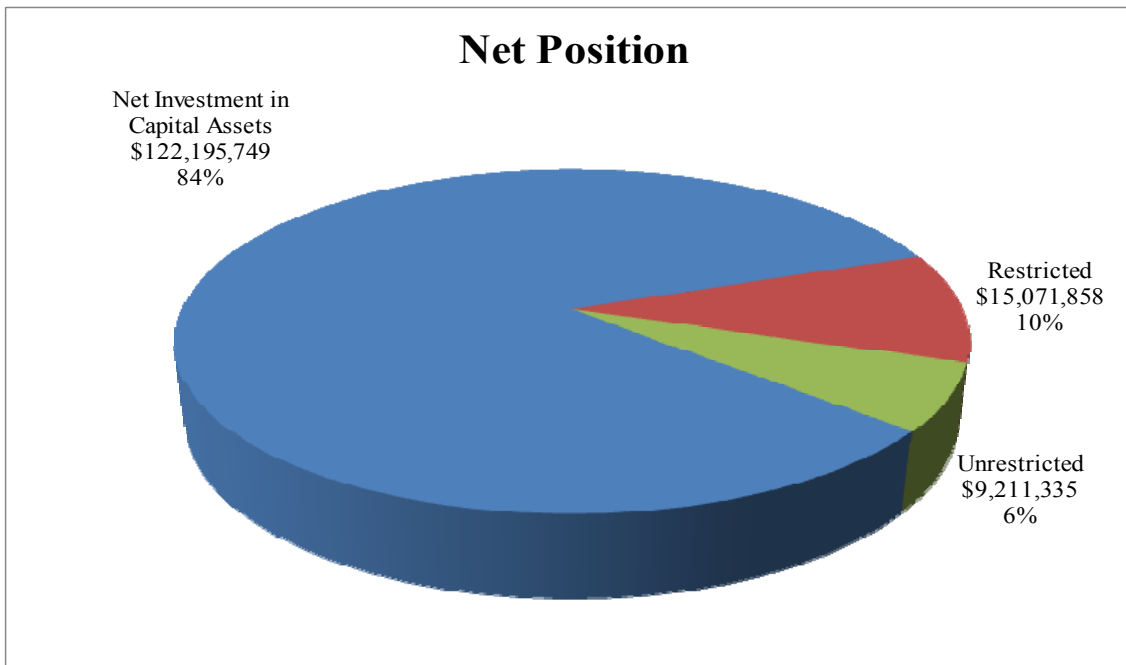
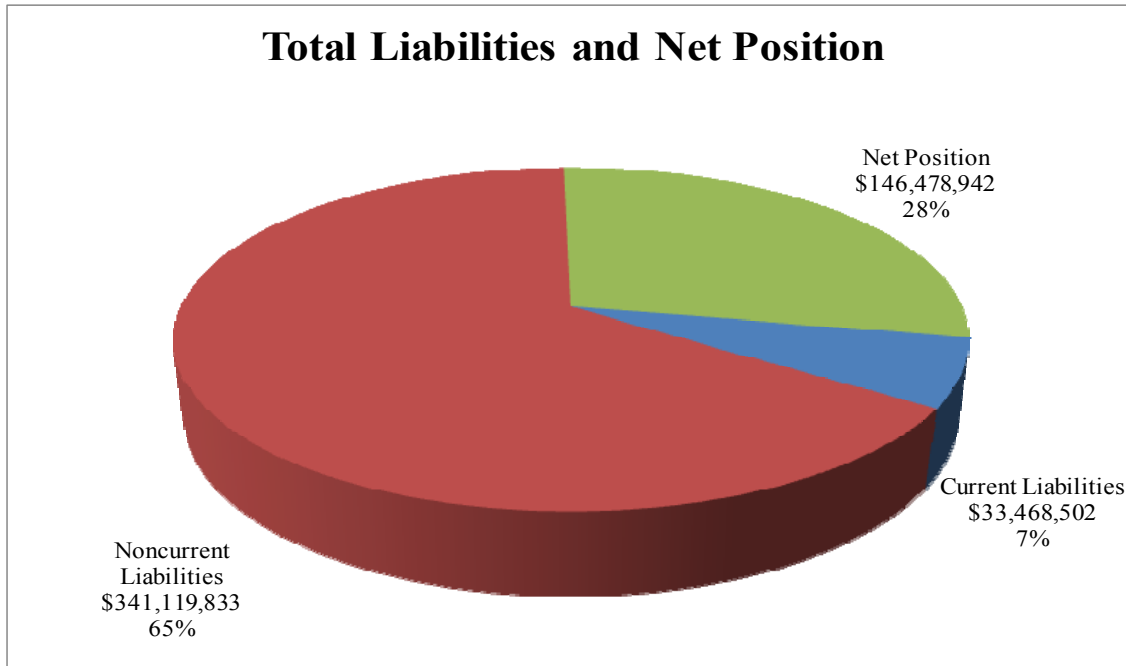
Net capital assets are the historical value of land, buildings, and equipment less accumulated depreciation. A total of \$31 million was added to net capital assets as a result of construction in progress in the General Obligation Bond Funds. The footnotes to the financial statements contain a breakdown 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 2014-15 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 \$2,097,902, and the general obligation bonds of \$298,049,549 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.



STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

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

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Revenues			
Operating Revenues:			
Net tuition and fees	\$ 7,068,015	\$ 7,075,112	0%
Grants, contracts, and other designated revenues	29,047,266	36,975,766	-21%
Auxiliary enterprise, net	6,055,275	5,686,616	
Other Operating Income	955,099	1,672,918	-43%
Total Operating Revenues	<u>43,125,655</u>	<u>51,410,412</u>	-16%
Total Operating Expenses	<u>151,689,492</u>	<u>149,649,399</u>	1%
Operating Loss	<u>(108,563,837)</u>	<u>(98,238,987)</u>	11%
Nonoperating revenues (expenses)			
State apportionments - noncapital	48,429,605	31,132,172	56%
Local property taxes	29,121,640	28,717,464	1%
Lottery and other revenue	36,011,567	34,977,907	3%
Investment income	362,821	(851,241)	143%
Other nonoperating revenues (expenses) - net	945,697	827,863	14%
Total Nonoperating Revenues (Expenses)	<u>114,871,330</u>	<u>94,804,165</u>	21%
Gain/(loss) before other revenues, expenses, gains, or losses	6,307,493	(3,434,822)	284%
Apportionment and property taxes - capital	14,844,393	15,357,904	-3%
Investment income - capital	804,422	1,388,193	-42%
Interest expense - capital	(17,869,085)	(5,250,808)	240%
Increase (Decrease) in Net Position	<u>4,087,223</u>	<u>8,060,467</u>	-49%
Net Position - as Previously Reported	142,391,719	110,921,881	28%
Cumulative effect of change in accounting principles	-	23,409,371	-100%
Net Position - as Restated	<u>142,391,719</u>	<u>134,331,252</u>	6%
Net Position - End of Year	<u>\$ 146,478,942</u>	<u>\$ 142,391,719</u>	3%

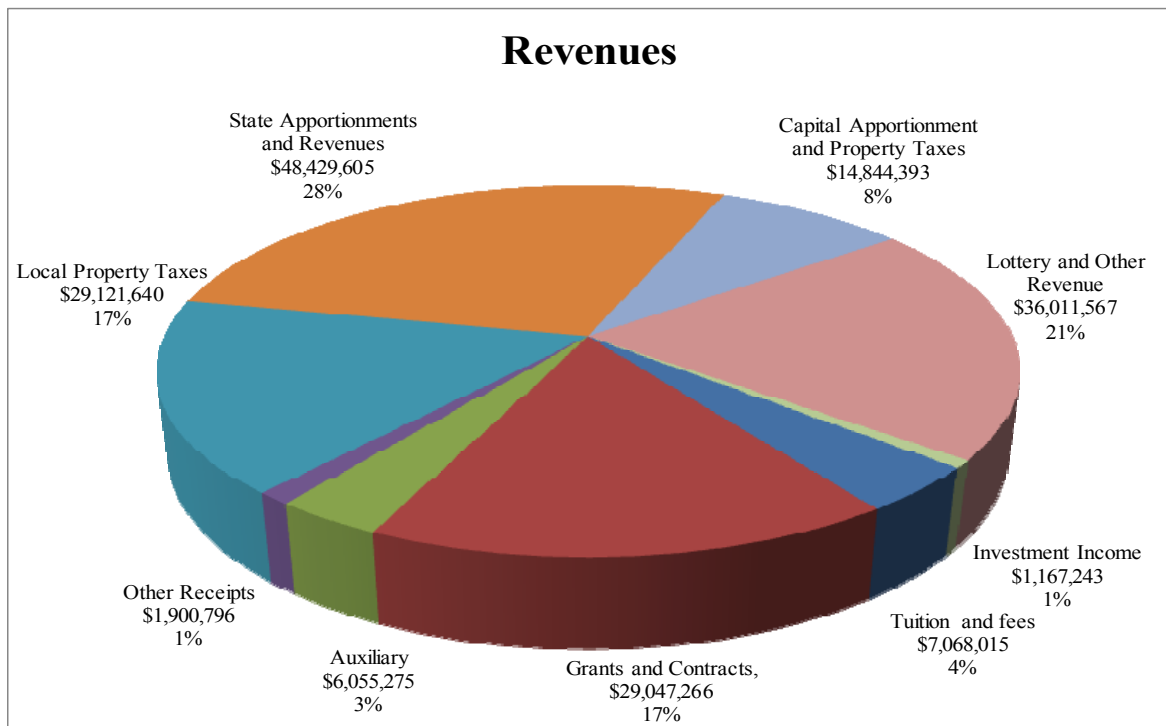
REVENUES

Net tuition and fees consist of enrollment fees of \$4,344,987; nonresident tuition of \$443,718 and all other fees of \$2,279,310. Regular enrollment fees are set by the State for all community colleges and were \$46 per unit. Regular enrollment fees are included in the calculation of general apportionment. Auxiliary enterprise, net, is primarily bookstore sales less allowances.

Other operating income consists primarily of rentals of District facilities and non-instructional fees.

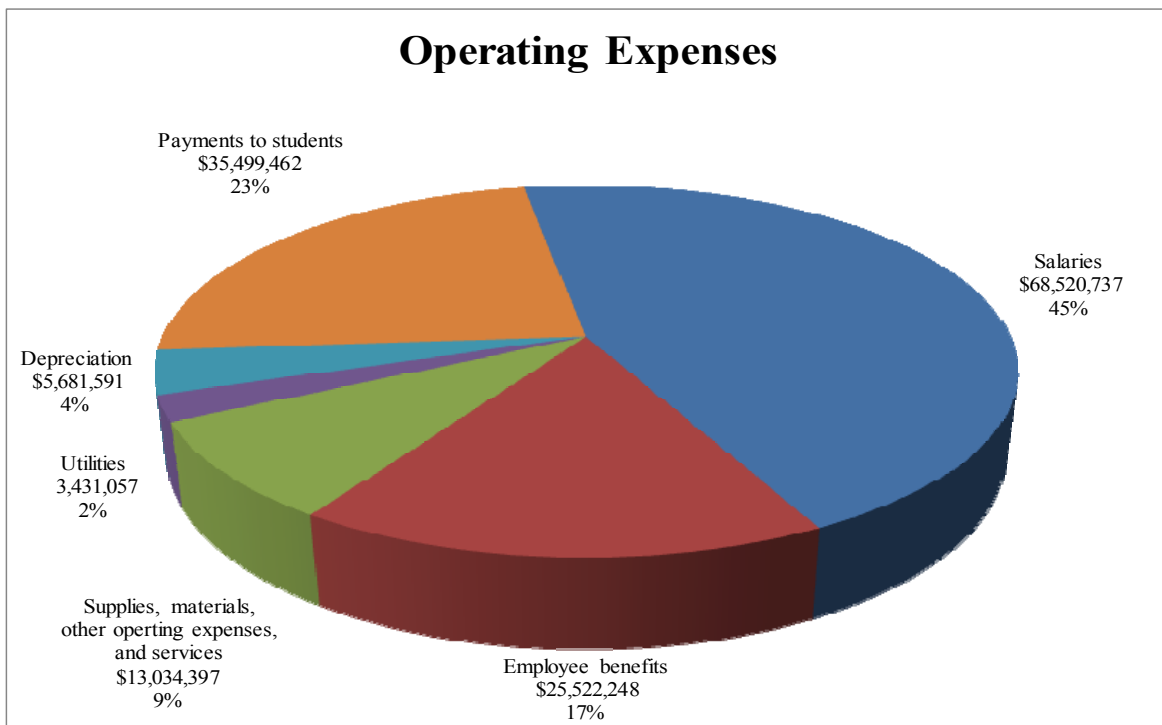
State apportionment represents total general apportionment earned less regular enrollment fees and Property taxes.

Lottery and other revenues consist of Pell grant revenue of \$31,746,621, unrestricted state lottery revenue of \$2,106,462, and other state revenues of \$2,158,484.



OPERATING EXPENSES (BY NATURAL CLASSIFICATION – ALL FUNDS)

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Salaries	\$ 68,520,737	\$ 64,181,469	7%
Employee benefits	25,522,248	23,728,573	8%
Supplies, materials, other operating expenses, and	13,034,397	22,707,441	-43%
Utilities	3,431,057	3,090,067	11%
Depreciation	5,681,591	4,529,848	25%
Payments to students	35,499,462	31,412,001	13%
Total Operating Expenses	\$ 151,689,492	\$ 149,649,399	1%



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.

	<u>2014</u>	<u>2013</u>
Cash provided (used) by:		
Operating activities	\$ (100,057,932)	\$ (63,561,672)
Noncapital financing activities	116,532,636	67,497,875
Capital and related financing activities	(28,465,489)	(28,749,869)
Investment activities	331,382	(516,022)
Net Decrease in Cash	<u>(11,659,403)</u>	<u>(25,329,688)</u>
Cash - Beginning of the Fiscal Year	138,132,321	163,462,009
Cash - End of the Fiscal Year	<u>\$ 126,472,918</u>	<u>\$ 138,132,321</u>

FUTURE ECONOMIC OUTLOOK

CALSTRS and CALPERS Rate Increases

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

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

Increases in member and employer contribution rates are only for creditable compensation under the defined Benefit Program paid to CalSTRS members for service performed after July 1, 2014. The Yosemite Community College District calculated the estimated increased cost for employer contributions to CalSTRS based on the statutory rate increases over the next six years and established a fund balance contingency to cover the increased CalSTRS contribution cost for the next three years. The amount set aside in the fund balance contingency to pay the increased cost for three years is \$1,412,610. It must be noted that as new on-going revenues are earned, they will be used first to cover the increased costs from the fund balance contingency.

Similarly, the CalPERS Board made decisions regarding the funding of pension benefits at CalPERS. Effective January 1, 2015 CalPERS employer contribution rates will increase. The District calculated the cost associated with the CalPERS employer rate increases over the next six years and established a fund balance contingency to cover the increased CalPERS contribution cost for the next three years. The amount set aside in the fund balance contingency is \$1,335,757. It must be noted that as new on-going revenues are earned, they will be used first to cover the increased costs from the fund balance contingency.

Employer rates are as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>
2014-2015	8.88%	11.7%
2015-2016	10.73%	12.6%
2016-2017	12.58%	15.0%
2017-2018	14.43%	16.6%
2018-2019	16.28%	18.2%
2019-2020	18.13%	19.9%

YOSEMITE COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

ASSETS

Current assets:	
Cash and cash equivalents	\$ 25,382,653
Accounts receivable, net	18,743,827
Inventory	1,307,049
Prepaid expenses	<u>347,837</u>
Total current assets	<u>45,781,366</u>
Noncurrent assets:	
Restricted cash and cash equivalents	101,090,265
Investments	996,804
Loans to students	148,632
Net OPEB asset	2,903,169
Nondepreciable capital assets	205,462,236
Depreciable capital assets, net	<u>159,705,405</u>
Total noncurrent assets	<u>470,306,511</u>
Total assets	<u>516,087,877</u>

DEFERRED OUTFLOW OF RESOURCES

Deferred amount on refunding	<u>4,979,400</u>
Total assets and deferred outflow of resources	<u>\$ 521,067,277</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 6,773,162
Unearned revenue	10,485,896
Accrued salaries and benefits payable	3,279,837
Other accrued liabilities	5,241,087
Amounts held in trust for others	572,447
Long term liabilities, current portion	<u>7,116,073</u>
Total current liabilities	33,468,502
Noncurrent liabilities:	
Long-term liabilities, net of current portion	<u>341,119,833</u>
Total liabilities	<u>374,588,335</u>

NET POSITION

Net investment in capital assets	122,195,749
Restricted for capital projects and debt service	15,071,858
Unrestricted	<u>9,211,335</u>
Total net position	<u>146,478,942</u>
Total liabilities and net position	<u>\$ 521,067,277</u>

See accompanying notes to financial statements.

YOSEMITE COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

For the Year Ended June 30, 2014

Operating revenues:	
Tuition and fees	\$ 20,749,657
Less: scholarship discounts and allowances	<u>(13,681,642)</u>
Net tuition and fees	<u>7,068,015</u>
Grants and contracts, non-capital:	
Federal	9,403,622
State	14,362,067
Local	5,281,577
Other operating receipts	955,099
Auxiliary enterprise sales and charges	<u>6,055,275</u>
Total operating revenues	<u>43,125,655</u>
Operating expenses:	
Salaries	68,520,737
Employee benefits	25,522,248
Supplies, materials, and other operating expenses	13,034,397
Utilities	3,431,057
Depreciation	5,681,591
Payments to students	<u>35,499,462</u>
Total operating expenses	<u>151,689,492</u>
Loss from operations	<u>(108,563,837)</u>
Non-operating revenues:	
State apportionments	48,429,605
Local property taxes, non-capital	29,121,640
State taxes and other revenues	4,264,946
Pell grants	31,746,621
Interest expense - capital	(17,869,085)
Investment income, net	1,167,243
Other non-operating revenues	<u>945,697</u>
Total non-operating revenues	<u>97,806,667</u>
Income before capital contributions	(10,757,170)
Capital contributions:	
Local property taxes and revenues, capital	<u>14,844,393</u>
Change in net position	4,087,223
Net position, July 1, 2013	<u>142,391,719</u>
Net position, June 30, 2014	<u>\$ 146,478,942</u>

See accompanying notes to financial statements.

YOSEMITE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014

Cash flows from operating activities:	
Tuition and fees	\$ 8,532,112
Federal, state and local grants and contracts	30,892,812
Payments to suppliers	(17,725,920)
Payments to / on behalf of employees	(93,266,991)
Payments to / on behalf of students	(35,500,319)
Auxiliary enterprises sales and charges	6,055,275
Other operating revenues	<u>955,099</u>
Net cash used in operating activities	<u>(100,057,932)</u>
Cash flows from noncapital financing activities:	
State apportionment and receipts	51,465,554
Property taxes	29,121,640
State taxes and other revenues	4,264,946
Pell grants	31,746,621
Due to other funds	64,887
Other payments	<u>(131,012)</u>
Net cash provided by noncapital financing activities	<u>116,532,636</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(31,979,322)
Principal paid on capital debt	(3,246,196)
Interest paid on capital debt	(8,888,786)
Interest and dividends from capital investments	804,422
Local property taxes and other revenues for capital	<u>14,844,393</u>
Net cash used in capital and related financing activities	<u>(28,465,489)</u>
Cash flows from investing activities:	
Sale of investments, net	430,256
Purchase of investments	<u>(98,874)</u>
Net cash provided by investing activities	<u>331,382</u>
Net decrease in cash and cash equivalents	(11,659,403)
Cash and cash equivalents, beginning of year	<u>138,132,321</u>
Cash and cash equivalents, end of year	<u>\$ 126,472,918</u>

(Continued)

YOSEMITE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2014

Reconciliation of loss from operations to net cash used by operating activities:	
Loss from operations	\$ (108,563,837)
Adjustments to reconcile loss from operations to net cash used by operating activities:	
Depreciation expense	5,681,591
Changes in assets and liabilities:	
Accounts receivables, net	2,018,161
Inventory	(251,159)
Prepaid expenses	(323,512)
Accounts payable & accrued salaries and benefits payable	(681,604)
Unearned Revenue	1,287,291
Loans to students	(857)
Compensated absences	133,704
Other assets	<u>642,290</u>
Net cash used in operating activities	<u>\$ (100,057,932)</u>
Supplementary disclosure of non-cash transactions:	
Amortization of premiums on debt	\$ 1,678,853
Amortization of deferred amount on refunding	\$ 404,489
Accretion of interest	\$ 8,612,084

See accompanying notes to financial statements.

YOSEMITE COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

	<u>OPEB Trust</u>
ASSETS	
Cash and cash equivalents	\$ 244,714
Investments:	
Mutual funds - equities	14,783,628
Mutual funds - fixed income	<u>9,981,630</u>
Total assets	<u><u>\$ 25,009,972</u></u>
NET POSITION	
Total net position held in trust for plan participants	<u><u>\$ 25,009,972</u></u>

See accompanying notes to financial statements.

YOSEMITE COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2014

	<u>OPEB Trust</u>
Additions:	
Contributions:	
Employer	\$ 1,200,000
Plan member	<u>1,341,374</u>
Total contributions	<u>2,541,374</u>
Investment income:	
Net appreciation in the fair value of plan investments	2,668,581
Interest and dividends	483,090
Investment expenses	<u>(160,562)</u>
Total investment income	<u>2,991,109</u>
Total additions	5,532,483
Deductions:	
Benefits	<u>2,754,334</u>
Excess of additions over deductions	2,778,149
Net position held in trust for plan participants, July 1, 2013	<u>22,231,823</u>
Net position held in trust for plan participants, June 30, 2014	<u><u>\$ 25,009,972</u></u>

See accompanying notes to financial statements.

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF ACTIVITIES

Reporting Entity

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

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America and GASB Cod. Sec. 2100. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. The District has no component units for the year ended June 30, 2014. Component units previously presented were deemed to be not significant.

Basis of Presentation and Accounting

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

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

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

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

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

As provided for by California Education Code Section 41001, a significant portion of the District's cash balances is deposited with the County Treasurer for the purpose of increasing interest earnings through County investment activities. Interest earned on such pooled cash balances is allocated proportionately to all funds in the pool.

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

During the fiscal year ended June 30, 2014, the District earned \$1,146,476 in investment income from its cash in the Stanislaus County Treasury.

Restricted Cash and Cash Equivalents

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

Investments

Long-term investments are reported at fair value. 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.

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the state of California. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursements of allowable expenditures made pursuant to the District's grants and contracts. The District provides for an allowance for uncollectible accounts as an estimation of amounts they may not receive. The allowance is based on management's estimates and historical analysis and was \$378,990 at June 30, 2014.

Inventory

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

Capital Assets

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

Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 50 years for buildings, 30 years for building improvements or additions, 10 years for land improvements, 8 years for equipment, 7 years for library books, and 3 years for technology equipment. Land and construction in progress are considered nondepreciable capital assets; therefore, no depreciation is computed.

The District capitalizes interest paid on obligations related to the acquisition, construction or rehabilitation of District capital assets. Interest cost and interest capitalized totaled \$17,869,085 and \$11,470,535, respectively, during the year ended June 30, 2014.

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue

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

Amounts Held in Trust for Others

The District administers funds for certain college related organizations. The liability represents the amount of funds held for these organizations.

Compensated Absences

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

Accumulated Sick Leave

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable.

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 amount 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. Amortization for the year ended June 30, 2014 totaled \$404,489.

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.

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The District's net position is classified as follows:

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

Restricted net position: Restricted expendable net position include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2014, there is no balance of nonexpendable restricted net position.

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

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

Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. Co5.101 including State appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

Operating revenues and expenses: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most Federal, State and local grants and contracts and Federal appropriations. All expenses are considered operating expenses except for interest expense on capital related debt.

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

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Scholarship Discounts and Allowances

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

Risk Management

The District retains risk for 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.

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, respectively. Unsecured property taxes are payable in one installment on or before August 31.

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

Property taxes are recorded as local revenue sources by the District. The California Community Colleges Chancellor's Office reduces the District's entitlement by the District's local property tax revenue and student fees. The balance is paid from the State's General Fund and is referred to as the state apportionment. The District's base revenue is the amount of general purpose tax revenue, per full-time equivalent student (FTES) that the District is entitled to by law.

On-Behalf Payments

GASB Cod. Sec. N50 requires that direct on-behalf payments for benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers and Public Employees Retirement Systems on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments. These payments consist of state general fund contributions to CalSTRS in the amount of approximately \$1,027,000 (3.041% of salaries subject to CalSTRS).

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 66, Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, Districts should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application encouraged. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

In June 2012, the GASB issued Statement No. 67, Financial Reporting for Pension Plans. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This Statement is effective for the District's financial period beginning June 30, 2014. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's fiscal year ending June 30, 2015. Management expects this GASB statement to have a material impact on its financial statements.

In April 2013, the GASB issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This liability should be reported until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units by specifying the information required to be disclosed by governments that extend nonexchange financial guarantee as well as new information to be disclosed by governments that receive nonexchange financial guarantees. This statement was adopted for the District's fiscal year ended June 30, 2014 with no material impact on the District.

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In November 2013 GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Management expects that this GASB statement along with GASB statement No. 68 will have a material impact on its financial statements.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following is a summary of cash and cash equivalents at June 30, 2014:

County in county treasury	\$ 117,623,455
Cash in banks	5,817,707
Cash on hand	75,346
Certificates of deposit	1,126,708
Money market mutual funds	<u>1,829,702</u>
Total cash and cash equivalents	<u>126,472,918</u>
Less: Restricted cash and cash equivalents	<u>101,090,265</u>
Net cash and cash equivalents	<u>\$ 25,382,653</u>

The following is a summary of investments at June 30, 2014:

U.S. treasuries and agencies	\$ 353,770
Corporate bonds	176,390
Bond mutual funds	164,246
Equity mutual funds	217,279
Equity securities	<u>85,119</u>
Total investments	<u>\$ 996,804</u>

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk – Deposits

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC") and are collateralized by the respective financial institution. At June 30, 2014, the carrying amount of the District's cash in banks was \$5,817,707 and the bank balance was \$5,599,197. The bank balance amount insured was \$562,501.

Cash and cash equivalents of \$244,714 and investments of \$24,765,258 held in the OPEB trust fund are not insured.

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District. All cash held by the financial institutions that is not insured is collateralized.

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.

	Fair Value	S&P's Rating as of Year End						
		AAA	AA+	AA	AA-	A	A-	Unrated
U.S. treasuries and agencies	\$ 353,770	\$ 334,058	\$ -	\$ 19,712	\$ -	\$ -	\$ -	\$ -
Corporate bonds	176,390	51,742	20,000	25,000	28,831	6,101	44,716	-
Bond mutual funds	164,246	40,827	100,000	-	15,000	8,419	-	-
Equity mutual funds	217,279	-	-	-	-	-	-	217,279
Equity securities	85,119	-	-	-	-	-	-	85,119
Total	\$ 996,804	\$ 426,627	\$ 120,000	\$ 44,712	\$ 43,831	\$ 14,520	\$ 44,716	\$ 302,398

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.

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Interest Rate Risk – Investments

California Government Code, Section 53601, limits the District's investments to maturities of five years. District investments generally have a maturity of less than five years. However, investments for amounts held in trust for others may have longer maturities due to specific donor requirements. This is allowed according to the District Board Policy 3320. The schedule of maturities at June 30, 2014, is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (in Years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
U.S. treasuries and agencies	\$ 353,770	\$ -	\$ 210,743	\$ 143,027
Corporate bonds	176,390	24,585	151,805	-
Bond mutual funds	164,246	15,000	100,000	49,246
Equity mutual funds	217,279	217,279	-	-
Equity securities mutual funds	<u>85,119</u>	<u>85,119</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 996,804</u>	<u>\$ 341,983</u>	<u>\$ 462,548</u>	<u>\$ 192,273</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable net of allowance for uncollectible accounts consisted of the following at June 30, 2014:

State grants and contracts	\$ 12,686,013
Federal grants and contracts	3,060,201
Local grants and contracts	1,161,565
Enrollment	658,153
Other	<u>1,177,895</u>
Total	<u>\$ 18,743,827</u>

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, is as follows:

	Balance July 1, <u>2013</u>	Additions and Transfers	Deductions and Transfers	Balance June 30, <u>2014</u>
Non-depreciable:				
Construction in progress	\$199,496,440	\$ 31,161,196	\$ (34,923,082)	\$195,734,554
Land	9,835,385	1,092,297	(1,200,000)	9,727,682
Depreciable:				
Site improvements	6,828,555	1,279,683	-	8,108,238
Buildings and improvements	155,016,523	33,745,875	-	188,762,398
Equipment	<u>24,553,723</u>	<u>827,478</u>	<u>(576,004)</u>	<u>24,805,197</u>
Total	395,730,626	68,106,529	(36,699,086)	427,138,069
Less accumulated depreciation:				
Site improvements	1,718,067	985,403	-	2,703,470
Buildings and improvements	36,875,845	3,042,852	-	39,918,697
Equipment	<u>18,266,804</u>	<u>1,653,336</u>	<u>(571,879)</u>	<u>19,348,261</u>
Total	<u>56,860,716</u>	<u>5,681,591</u>	<u>(571,879)</u>	<u>61,970,428</u>
Capital assets, net	<u>\$338,869,910</u>	<u>\$ 62,424,938</u>	<u>\$ (36,127,207)</u>	<u>\$365,167,641</u>

6. UNEARNED REVENUE

Unearned revenue consisted of the following at June 30, 2014:

Local sources	\$ 5,193,358
Federal grants and contracts	360,529
State grants and contracts	2,687,014
Student fees	<u>2,244,995</u>
Total	<u>\$ 10,485,896</u>

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. LONG TERM LIABILITIES

On April 19, 2005, the District issued \$92,015,000 of 2004 General Obligation Bonds Series 2005A. The Bonds were issued to finance the acquisition, construction and modernization of certain District property and facilities and to refinance certain outstanding lease obligations of the District. The Bonds were partially refunded in 2012 and the remaining Bonds mature through August 1, 2029 and bear interest at 5.00%.

The following is a schedule of future payments for the Series 2005A General Obligation Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 345,000	\$ 813,969	\$ 1,158,969
2016	390,000	795,781	1,185,781
2017	440,000	775,229	1,215,229
2018	495,000	752,073	1,247,073
2019	555,000	726,063	1,281,063
2020-2024	3,570,000	3,152,250	6,722,250
2025-2029	8,065,000	1,907,771	9,972,771
2030	<u>3,065,000</u>	<u>88,552</u>	<u>3,153,552</u>
Totals	<u>\$ 16,925,000</u>	<u>\$ 9,011,688</u>	<u>\$ 25,936,688</u>

On March 19, 2008, the District issued \$150,000,000 of 2004 General Obligation Bonds Series 2008C bonds to finance the repair, construction, equipping and acquisition of certain District property and facilities and to pay the costs of bond issuance. Current interest bonds of \$110,000,000 bear interest at 5.00%, maturing August 1, 2032. Interest payments are due semiannually on February 1 and August 1 of each year. Capital Appreciation Bonds of \$40,000,000, maturing August 1, 2025, bear interest at 6.05% with interest compounded semiannually each year and due upon maturity.

Unamortized premiums and accreted interest on the capital appreciation bonds were \$1,864,892 and \$14,719,488 at June 30, 2014, respectively.

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. LONG TERM LIABILITIES (Continued)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,057,430	\$ 5,500,000	\$ 7,557,430
2016	2,248,498	5,500,000	7,748,498
2017	2,422,785	5,500,000	7,922,785
2018	2,572,192	5,500,000	8,072,192
2019	2,742,175	5,500,000	8,242,175
2020-2024	15,966,601	27,500,000	43,466,601
2025-2029	43,948,308	25,069,875	69,018,183
2030-2033	<u>73,125,000</u>	<u>8,090,708</u>	<u>81,215,708</u>
Totals	<u>\$ 145,082,989</u>	<u>\$ 88,160,583</u>	<u>\$ 233,243,572</u>

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

Unamortized premiums were \$984,247 and accreted interest on the capital appreciation bonds and convertible capital appreciation bonds were \$21,298,626 at June 30, 2014.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 75,000	\$ 143,073	\$ 218,073
2016	90,000	141,012	231,012
2017	100,000	137,766	237,766
2018	140,000	133,729	273,729
2019	125,000	129,457	254,457
2020-2024	1,175,000	535,743	1,710,743
2025-2029	2,000,000	165,728	2,165,728
2030-2034	11,163,121	59,742,545	70,905,666
2035-2039	27,317,067	216,812,211	244,129,278
2040-2043	<u>39,298,802</u>	<u>279,130,625</u>	<u>318,429,427</u>
Totals	<u>\$ 81,483,990</u>	<u>\$ 557,071,889</u>	<u>\$ 638,555,879</u>

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. LONG TERM LIABILITIES (Continued)

On July 24, 2012, the District issued \$59,205,000 of 2012 General Obligation Refunding Bonds. Proceeds were used to refund a portion of the outstanding Series 2005A General Obligation Bonds and to pay the costs of issuing the 2012 Refunding Bonds. The 2012 Refunding Bonds are general obligations of the District payable solely from ad valorem property taxes. The 2012 Refunding Bonds mature through August 1, 2029 and bear interest at rates ranging from 2.00% to 5.00% with interest due semiannually on August 1 and February 1. For financial reporting purposes, the refunded debt has been considered defeased and therefore removed from the District's financial statements. On June 30, 2014, \$55,755,000 of bonds outstanding are considered defeased.

Unamortized premiums on the 2012 Refunding Bonds were \$5,603,772 at June 30, 2014.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,140,000	\$ 2,112,008	\$ 3,252,008
2016	1,315,000	2,069,942	3,384,942
2017	1,515,000	2,014,442	3,529,442
2018	2,850,000	1,968,888	4,818,888
2019	3,030,000	1,934,753	4,964,753
2020-2024	18,365,000	7,851,453	26,216,453
2025-2029	24,875,000	3,193,783	28,068,783
2030-2030	<u>5,085,000</u>	<u>95,338</u>	<u>5,180,338</u>
Totals	<u>\$ 58,175,000</u>	<u>\$ 21,240,607</u>	<u>\$ 79,415,607</u>

The long-term liabilities activity for the year ended June 30, 2014, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments and Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
General obligation bonds	\$ 304,913,175	\$ -	\$ 3,246,196	\$ 301,666,979	\$ 3,617,430
Unamortized bond premiums	9,195,101	-	742,190	8,452,911	458,171
Accreted interest	28,099,834	8,612,084	693,804	36,018,114	942,570
Compensated absences	<u>2,296,259</u>	<u>-</u>	<u>198,357</u>	<u>2,097,902</u>	<u>2,097,902</u>
Total	<u>\$ 344,504,369</u>	<u>\$ 8,612,084</u>	<u>\$ 4,880,547</u>	<u>\$ 348,235,906</u>	<u>\$ 7,116,073</u>

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. EMPLOYEE RETIREMENT SYSTEMS

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

California State Teachers' Retirement System

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 100 Waterfront Place, West Sacramento, California 95605.

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

Funding Policy

Active 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 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The CB Benefit Program is an alternative CalSTRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of 4% with the sum of the District and employee contribution always being equal or greater than 8%.

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

California State Teachers' Retirement System (Continued)

Annual Pension Cost

The District's contributions to CalSTRS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$2,785,553, \$2,612,538, and \$2,642,578, respectively, and equaled 100% of the required contributions for each year. On June 24, 2014, the Governor of California signed Assembly Bill 1469 which will increase the member contribution to 19.1% over the next seven years.

California Public Employees Retirement System

Plan Description

The District contributes to the California School Employer Pool under the California Public Employees' Retirement System, 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 2013-14 was 11.442% of annual payroll. The contribution requirements of the plan members are established by state statute.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$3,122,160, \$2,976,779, and \$2,870,140, respectively, and equaled 100% of the required contribution for each year.

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees Retirement System (Continued)

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.

9. OTHER POSTEMPLOYMENT 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.

The District provides these benefits through the California Schools Boards Association GASB 45 Solutions Program (the "Trust"), a single-employer defined benefit OPEB plan. The Trust is administered by the Public Agency Retirement Services ("PARS"). The Trust is included in the District's financial report and separately presented as a fiduciary fund.

The District's agreement with employees is for monthly contributions for members who meet the eligibility criteria of their collective bargaining agreement and who retire during the term of the contract. The contribution requirements for plan members are established and may be amended by the District's Board of Trustees through the collective bargaining process. The members receiving benefits contributions vary depending on the level of coverage selected. The Plan is currently operated as a pay-as-you-go plan with additional District contributions made on a discretionary basis.

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net Other Postemployment Benefit

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

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

Annual required contribution	\$ 1,753,417
Interest on net OPEB asset	(239,318)
Adjustment to annual required contribution	<u>328,191</u>
Annual OPEB cost (expense)	1,842,290
Contributions made	<u>1,200,000</u>
Increase in net OPEB asset	642,290
Net OPEB asset – beginning of year	<u>(3,545,459)</u>
Net OPEB asset – end of year	<u><u>\$ (2,903,169)</u></u>

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, 2014, and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB Asset</u>
June 30, 2012	\$ 2,165,740	221%	\$ (2,904,001)
June 30, 2013	\$ 2,131,939	130%	\$ (3,545,459)
June 30, 2014	\$ 1,842,290	65%	\$ (2,903,169)

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Funded Status and Funding Progress

As of December 1, 2013, the most recent actuarial valuation date, the plan was partially funded. The actuarial accrued liability for benefits was \$31,467,714, and the actuarial value of assets was \$23,977,872, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,489,842. The covered payroll (annual payroll of active employees covered by the Plan) was \$52,595,921, and the ratio of the UAAL to the covered payroll was 14 percent.

Actuarial Methods and Assumptions

In the December 1, 2013 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 6.75% investment rate of return, which is based on assumed long-term investment returns on plan assets, and an annual healthcare cost trend rate of 4.0%. A 2.75% inflation rate was assumed. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. As a result of the District's retroactive implementation, the initial unfunded actuarial accrued liability UAAL was established as of July 1, 1998. The District's initial unfunded actuarial liability is being amortized under the level dollar method on a closed basis over 30 years while the residual UAAL is amortized under the level dollar method on an open basis over 20 years.

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

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

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

10. COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

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

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

Construction Commitments

As of June 30, 2014, the District has approximately \$55.1 million in outstanding commitments on construction contracts.

Operating Leases

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

Year Ending <u>June 30,</u>	
2015	\$ 60,059
2016	44,684
2017	34,115
2018	13,936
2019	2,649
2020	<u>1,025</u>
	<u>\$ 156,468</u>

Rent expenses were \$67,142 for the year ended June 30, 2014.

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

11. JOINT POWER AGREEMENTS

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

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

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

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

	VIP <u>June 30, 2013</u>	SISCIII <u>September 30, 2013</u>	TPPA <u>June 30, 2013</u>
Total assets	\$ 21,840,935	\$ 307,006,834	\$ 2,283,498
Total liabilities	\$ 1,740,852	\$ 139,744,058	\$ 260,148
Net position	\$ 14,691,204	\$ 167,262,776	\$ 2,023,358
Total revenues	\$ 4,919,972	\$ 1,395,304,821	\$ 1,635,151
Total expenses	\$ 2,538,270	\$ 1,386,741,291	\$ 1,754,017
Change in net position	\$ 2,381,702	\$ 8,563,530	\$ (138,471)

REQUIRED SUPPLEMENTARY INFORMATION

YOSEMITE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2014

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
December 1, 2009	\$ 14,892,238	\$ 27,239,843	\$ 12,347,605	55%	\$ 54,571,502	23%
December 1, 2011	\$ 21,653,181	\$ 33,381,704	\$ 11,728,523	65%	\$ 52,777,883	22%
December 1, 2013	\$ 23,977,872	\$ 31,467,714	\$ 7,489,842	76%	\$ 52,595,921	14%

See independent auditor's report on required supplementary information.

YOSEMITE COMMUNITY COLLEGE DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULE

A - Schedule of Other Postemployment Benefits Funding Progress

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

SUPPLEMENTARY INFORMATION

YOSEMITE COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2014

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

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

BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Lynn Martin	Chair	2014
Don Viss	Vice Chair	2014
Anne DeMartini	Member	2014
Tom Hallinan	Member	2016
Linda Flores	Member	2016
Mike Riley	Member	2016
Abe Rojas	Member	2016

ADMINISTRATION

Dr. Joan E. Smith
Chancellor

Ms. Teresa Scott
Executive Vice Chancellor

Ms. Gina Leguria
Vice Chancellor, Human Resources

Mr. Marty Gang
Assistant Vice Chancellor, Information Technology

Ms. Jill Stearns
President, Modesto Junior College

Dr. Angela Fairchilds
President, Columbia College

YOSEMITE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

For the Year Ended June 30, 2014

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grant Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
Student Financial Aid Cluster:			
College Work Study Program	84.033	-	\$ 513,923
Pell Grant Program	84.063	-	31,746,621
SEOG	84.007	-	535,500
Passed through California Department of Education:			
Nursing Student Loans	93.364	-	<u>7,427</u>
Subtotal Student Financial Aid Cluster			<u>32,803,471</u>
Direct Programs:			
TRIO Cluster:			
Talent Search	84.044	-	328,500
Upward Bound	84.047	-	562,268
Student support Services	84.042	-	<u>472,412</u>
Subtotal TRIO Cluster			<u>1,363,180</u>
Higher Education - Institutional Aid:			
Higher Education - Institutional Aid, Strengthening Student Success	84.031S	-	441,748
Higher Education - Institutional Aid Improving Instruction	84.031A	-	<u>1,296,496</u>
Subtotal Higher Education - Institutional Aid			<u>1,738,244</u>
Model Course Material Rental Program	84.116T	-	<u>48,744</u>
Passed Through California Department of Education:			
Career and Technical Education:			
Block Grant	84.048	10-C01-070	68,748
Tech Prep	84.048	CN1000094	780,723
Leadership	84.048	10-342-001	<u>39,644</u>
Subtotal Career and Technical Education			<u>889,115</u>
Total U.S. Department of Education			<u>36,842,754</u>
<u>Department of Veteran Affairs</u>			
Post- Vietnam Era Veterans' Educational Assistance	64.120	-	<u>903</u>
<u>U.S. Department of Housing And Urban Development</u>			
Hispanic - Serving Institution Assisting Communities	14.514	-	<u>144,743</u>

(Continued)

YOSEMITE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)

For the Year Ended June 30, 2014

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grant Number</u>	<u>Federal Expend- itures</u>
<u>National Science Foundation</u>			
S-STEM	47.076	-	\$ 36,201
Advanced Technology Education Program	47.076	-	<u>16,896</u>
Total National Science Foundation			<u>53,097</u>
<u>Agency for International Development</u>			
SEED	98.001	-	<u>265,972</u>
<u>U.S. Department Agriculture</u>			
Passed through California Department of Education:			
Forest Reserve	10.670	-	14,886
Child and Adult Care Food Program	10.558	04226-CACFP-50-CC-C5	35,527
Hispanic Serving Institutions Education Grants	10.223	HSIAC-10-CA-33	<u>10,743</u>
Total U.S. Department of Agriculture			<u>61,156</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through California Department of Education:			
Child Care and Development Block Grant	93.575	CN100053	3,521,471
Foster Care	93.658	FKCE	74,015
Temporary Assistance for Needy Families	93.558		122,058
Medical Assistance Program (Medi-Cal)	93.778		<u>64,074</u>
Total U.S. Department of Health and Human Services			<u>3,781,618</u>
Total Federal Programs			<u>\$ 41,150,243</u>

See accompanying notes to
supplementary information.

YOSEMITE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2014

	<u>Program Entitlements</u>			<u>Program Revenues</u>				<u>Program Expend- itures</u>
	<u>Current Year</u>	<u>Prior-Year Carryforward</u>	<u>Total Entitlement</u>	<u>Cash Received</u>	<u>Accounts Receivable</u>	<u>Unearned Revenue/ AP</u>	<u>Total</u>	
Board Financial Assistance Program	\$ 759,701	\$ -	\$ 759,701	\$ 746,207	\$ 15,344	\$ 1,850	\$ 759,701	\$ 759,701
Cal WORKS	481,986	-	481,986	451,258	30,710	-	481,968	481,968
Cooperative Agencies Resources for Education	139,157	-	139,157	139,157	-	3,384	135,773	135,773
Disabled Student Program and Services	942,745	-	942,745	942,745	-	1,641	941,104	941,104
Adult Education Consortium Extended Opportunity Program and Services	362,911	-	362,911	181,456	-	175,956	5,500	5,500
Instructional Equipment	1,403,453	-	1,403,453	1,402,400	-	91,216	1,311,184	1,311,184
Matriculation	202,487	158,555	361,042	361,042	-	279,594	81,448	81,448
Staff Diversity	1,071,928	-	1,071,928	1,076,350	6,685	11,107	1,071,928	1,071,928
Staff Development	7,927	15,366	23,293	23,293	-	21,908	1,385	1,385
Temporary Assistance for Needy Families	-	29,159	29,159	29,159	-	21,411	7,748	7,748
California Articulation Number	121,706	-	121,706	121,550	419	-	121,969	121,969
CTE/Center of Excellence	-	694	694	694	-	-	694	694
CCC Live Caption Project	148,500	-	148,500	80,264	66,848	2,437	144,675	144,675
Child Care Food	-	620	620	620	-	620	-	-
Cal Grants	68,500	-	68,500	1,493	142	-	1,635	1,635
Foster Care Education	2,169,176	-	2,169,176	2,169,176	-	-	2,169,176	2,169,176
Funding Obligation Settlement (SBI 133)	88,216	-	88,216	49,386	38,830	-	88,216	92,385
Career Tech Education	-	138,252	138,252	138,252	-	138,252	-	-
Telecommunications and Tech Infrastructure Programs	-	728	728	728	-	728	-	-
Workforce Investment Act/Basic Skills	30	27,364	27,394	27,394	-	25,812	1,582	1,582
Psych Tech	204,420	317,552	521,972	521,972	-	319,272	202,700	202,700
CPEC	227,213	11,124	238,337	66,450	-	2	66,448	66,448
Capacity for Rural Development Recycling Project	-	4,014	4,014	4,014	-	4,014	-	-
EDD/TAA	-	-	-	62,353	62,438	161	124,630	4,465
CCO EEO Registry	126,055	4,136	130,191	41,010	5,933	4,067	42,876	42,876
CDTC	4,563	-	4,563	-	82	-	82	82
CDTC First 5 California	216,750	-	216,750	161,679	57,353	2,206	216,826	216,826
	291,200	107,099	398,299	230,760	130,186	-	360,946	360,946
	5,867,224	-	5,867,224	1,436,532	956,721	-	2,393,253	2,393,252

(Continued)

YOSEMITE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

(Continued)

For the Year Ended June 30, 2014

	<u>Program Entitlements</u>			<u>Program Revenues</u>				<u>Program Expenditures</u>
	<u>Current Year</u>	<u>Prior-Year Carryforward</u>	<u>Total Entitlement</u>	<u>Cash Received</u>	<u>Accounts Receivable</u>	<u>Unearned Revenue/ AP</u>	<u>Total</u>	
Child Development/Toddler	548,970	-	548,970	365,138	25,406	-	390,544	390,544
CTE	278,942	497,441	776,383	464,007	155,814	39,329	580,492	580,492
Demonstration Project	-	43,176	43,176	43,176	-	43,176	-	-
DSPS/PADS	1,037,442	-	1,037,442	1,073,887	-	250,365	823,522	823,522
Early Intervention Project	-	2,288	2,288	2,288	-	785	1,503	1,503
ED:IMAC	-	-	-	-	59,649	-	59,649	-
Enrollment Growth Nursing	278,000	5,756	283,756	239,276	31,994	-	271,270	271,270
Facilities Renovation and Repair	19,500	-	19,500	4,875	-	4,875	-	-
Lottery	505,796	888,279	1,394,075	1,125,395	265,135	975,753	414,777	414,777
Nursing, Song Brown Captitation	10,000	54,737	64,737	59,739	5,006	-	64,745	64,745
Prop 39 - Lighting Retrofit	571,499	-	571,499	571,499	-	-	571,499	571,499
Scheduled Maintenance Est	202,490	-	202,490	202,490	-	-	202,490	202,488
Total State Programs	\$ 18,358,487	\$ 2,306,340	\$ 20,664,827	\$ 14,619,164	\$ 1,914,695	\$ 2,419,921	\$ 14,113,938	\$ 13,938,290

See accompany notes to supplementary information.

YOSEMITE COMMUNITY COLLEGE DISTRICT

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

Annual Attendance as of June 30, 2014

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2013 only)			
1. Noncredit	36	-	36
2. Credit	762	-	762
B. Summer Intersession (Summer 2014 - Prior to July 1, 2014)			
1. Noncredit	31	-	31
2. Credit	1,140	-	1,140
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	13,194	-	13,194
b. Daily Census Contact Hours	1,023	-	1,023
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	219	-	219
b. Credit	94	-	94
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	38	-	38
b. Daily Census Contact Hours	4	-	4
D. Total FTES	<u>16,541</u>	<u>-</u>	<u>16,541</u>
Supplementary Information:			
E. In-Service Training Courses (FTES)	30	-	30
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	174	-	174
b. Credit	806	-	806
<u>CCFS 320 Addendum</u>			
CDCP	166	-	166
Center FTES			
a. Noncredit	-	-	-
b. Credit	-	-	-

See accompanying notes to
supplementary information.

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

For the Year Ended June 30, 2014

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

See accompanying notes to
supplementary information.

YOSEMITE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION

For the Year Ended June 30, 2014

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional salaries:							
Contract or regular	1100	\$ 19,160,709	\$ -	\$ 19,160,709	\$ 19,160,709	\$ -	\$ 19,160,709
Other	1300	<u>11,107,849</u>	<u>-</u>	<u>11,107,849</u>	<u>11,107,849</u>	<u>-</u>	<u>11,107,849</u>
Total instructional salaries		<u>30,268,558</u>	<u>-</u>	<u>30,268,558</u>	<u>30,268,558</u>	<u>-</u>	<u>30,268,558</u>
Non-instructional salaries:							
Contract or regular	1200	-	-	-	2,845,375	-	2,845,375
Other	1400	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,096,477</u>	<u>-</u>	<u>3,096,477</u>
Total non-instructional salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>5,941,852</u>	<u>-</u>	<u>5,941,852</u>
Total academic salaries		<u>30,268,558</u>	<u>-</u>	<u>30,268,558</u>	<u>36,210,410</u>	<u>-</u>	<u>36,210,410</u>
<u>Classified Salaries</u>							
Non-instructional salaries:							
Regular status	2100	-	-	-	17,204,577	-	17,204,577
Other	2300	<u>-</u>	<u>-</u>	<u>-</u>	<u>706,822</u>	<u>-</u>	<u>706,822</u>
Total non-instructional salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>17,911,399</u>	<u>-</u>	<u>17,911,399</u>
Instructional aides:							
Regular status	2200	843,817	-	843,817	843,817	-	843,817
Other	2400	<u>29,178</u>	<u>-</u>	<u>29,178</u>	<u>29,178</u>	<u>-</u>	<u>29,178</u>
Total instructional aides		<u>872,995</u>	<u>-</u>	<u>872,995</u>	<u>872,995</u>	<u>-</u>	<u>872,995</u>
Total classified salaries		<u>872,995</u>	<u>-</u>	<u>872,995</u>	<u>18,784,394</u>	<u>-</u>	<u>18,784,394</u>
Employee benefits	3000	8,673,583	-	8,673,583	20,141,822	-	20,141,822
Supplies and materials	4000	-	-	-	1,527,652	-	1,527,652
Other operating expenses	5000	-	-	-	6,457,878	-	6,457,878
Equipment replacement	6420	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures prior to exclusions		<u>\$ 39,815,136</u>	<u>\$ -</u>	<u>\$ 39,815,136</u>	<u>\$ 83,122,156</u>	<u>\$ -</u>	<u>\$ 83,122,156</u>

(Continued)

YOSEMITE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION

(Continued)

For the Year Ended June 30, 2014

Activity (ECSA)
ECS 84362 A
Instructional Salary Cost
AC 0100-5900 & AC 6110

Activity (ECSB)
ECS 84362 B
Total CEE
AC 0100-6799

<u>Exclusions</u>	<u>Object/TOP Codes</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	209,164	-	209,164
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	1,200,000	-	1,200,000
Objects to exclude:							
Rents and leases	5060	-	-	-	105,275	-	105,275
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
Supplies and materials:							
Software	4100	-	-	-	-	-	-
Books, magazines and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	-	-	-
Noninstructional supplies and materials	4400	-	-	-	-	-	-
Total supplies and materials		-	-	-	-	-	-
Other operating expenses and services	5000	-	-	-	2,106,462	-	2,106,462
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Equipment:							
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	-	-	-
Total capital outlay		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other outgo	7000	-	-	-	-	-	-
Total exclusions		\$ -	\$ -	\$ -	\$ 3,620,901	\$ -	\$ 3,620,901
Total for ECS 84362, 50% Law		\$ 39,815,136	\$ -	\$ 39,815,136	\$ 79,501,255	\$ -	\$ 79,501,255
Percent of CEE (instructional salary cost /Total CEE)		50.08 %	-	50.08 %	100.00%	-	100.00%
50% of current expense of education		-	-	-	39,750,628	-	39,750,628

See accompanying notes to supplementary information.

YOSEMITE COMMUNITY COLLEGE DISTRICT

PROP 30 EPA EXPENDITURE REPORT

For the Year Ended June 30, 2014

EPA Proceeds: \$ 12,795,433

<u>Activity Classification</u>	<u>Activity Code (0100-5900)</u>	<u>Salaries and Benefits (1000-3000)</u>	<u>Operating Expenses (4000-5000)</u>	<u>Capital Outlay (6000)</u>	<u>Total</u>
Instructional Activities	\$ -	\$ 12,795,433	\$ -	\$ -	\$ 12,795,433

See accompanying notes to supplementary information.

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - 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.

B - Schedules of Expenditure of Federal Awards and State Financial 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.

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

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

D - Reconciliation of 50 Percent 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.

E - Prop 30 EPA Expenditure Report

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

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees
Yosemite Community College District
Modesto, California

Report on Compliance with State Laws and Regulations

We have audited the compliance of Yosemite Community College District with the types of compliance requirements described in Section 400 of the *California State Chancellor's Office's California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2014:

- 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
- Scheduled Maintenance Program
- Gann Limit Calculation
- Open Enrollment
- Student Fees - Health Fees and Use Of Health Fee Funds
- Proposition 39 Clean Energy
- 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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations as listed above of Yosemite Community College District. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the California State Chancellor's Office's California Community College District Audit Manual. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Yosemite Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion in compliance with state laws and regulations. However, our audit does not provide legal determination of Yosemite Community College District's compliance with those requirements.

Basis for Qualified Opinion with State Laws and Regulations

As described in Finding 2014-002 in the accompanying Schedule of Audit Findings and Questioned Costs, Yosemite Community College District did not comply with the requirements regarding DSPS. Compliance with such requirements is necessary in our opinion for Yosemite Community College District to comply with state laws and regulations applicable to DSPS.

Qualified Opinion with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion with State Laws and Regulations paragraph, Yosemite Community College District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2014. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Yosemite Community College District had not complied with the state laws and regulations.

Other Matters

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

Purpose of this Report

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


Crowe Horwath LLP

Sacramento, California
November 20, 2014

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

Board of Trustees
Yosemite Community College District
Modesto, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the fiduciary activities of Yosemite Community College District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Yosemite Community College District's basic financial statements, and have issued our report thereon dated .

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2014-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

Yosemite Community College District Response to Findings

Yosemite Community College District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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


Crowe Horwath LLP

Sacramento, California
November 20, 2014

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

Board of Trustees
Yosemite Community College District
Modesto, California

Report on Compliance for Each Major Federal Program

We have audited Yosemite Community College District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Yosemite Community College District's major federal programs for the year ended June 30, 2014. Yosemite Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Yosemite Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Yosemite Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Yosemite Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Yosemite Community College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Yosemite Community College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Yosemite Community College District's internal control over compliance.

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

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

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


Crowe Horwath LLP

Sacramento, California
November 20, 2014

FINDINGS AND RECOMMENDATIONS

YOSEMITE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? X Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes X None reported

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 93.364	Student Financial Aid Cluster

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

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

STATE AWARDS

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

YOSEMITE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

2014-001 SIGNIFICANT DEFICIENCY - INFORMATION SYSTEMS

Criteria

Internal Controls - Information Systems

Condition

The District does not have adequate controls over the program change process. District personnel do not document the design of the testing, testing results, or approvals over system patches or other program changes to source code. There is no report or process to ensure that the person initiating the program change is not the same person who places the changed source code back into production. In addition, the program change process was not documented in a procedures manual.

The District did not remove a terminated employee from having access to the District's electronic records.

Effect

Because the process is not documented or formally monitored, a program change could be initiated, tested or not tested and placed into production by the same individual, circumventing internal controls. As a result, information produced by the District's information systems, including financial data, could be inaccurate and misstated.

Cause

Effective internal controls have not been designed and implemented.

Fiscal Impact

Not determinable.

YOSEMITE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2014-001 SIGNIFICANT DEFICIENCY - INFORMATION SYSTEMS (Continued)

Recommendation

The District should document and implement appropriate procedures over the program change process. The updated procedures should ensure that:

- changes requested are initiated and approved by the appropriate functional user,
- testing is designed, documented and performed by the appropriate personnel,
- the functional user has the responsibility for the final approval of the test results,
- the programmer personnel do not have access to place source code back into production,
- source code is placed back into production by a person separate from the above functions and
- each program change is formally documented with the appropriate approvals.

The District should investigate using a system generated report that tracks projects placed into production to use as a monitoring tool to ensure that only authorized changes are placed into production.

The District should review and revise its procedures where appropriate for the termination of employees to include steps to ensure that the former employee's access to the information system is removed immediately.

Corrective Action Plan

The District is developing a policy and procedure that will ensure changes requested are initiated and approved by the appropriate functional user; testing is designed, documented and performed by the appropriate personnel; the functional user has the responsibility for the final approval of the test results; the programmer personnel do not have access to place source code back into production; source code is placed back into production by a person separate from the above functions; and each program change is formally documented with the appropriate approvals. The District is also exploring a software solution that will allow it to track code changes to the software to ensure only authorized changes are placed into service.

The District is also reviewing and updating procedures to ensure there is timely removal of security access for terminated employees.

YOSEMITE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

YOSEMITE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2014-002 STATE COMPLIANCE DISABLED STUDENT PROGRAMS AND SERVICES (DSPS)

Criteria

Title 5 Section 56022 states: "An up-to-date SEC (Student Educational Contract) for the current year, signed by the student and the DSPS professional staff person, should be available in the file of each student receiving services paid through the DSPS office. Also, students in noncredit special classes should have included in their SEC a detailed description of the criteria used to evaluate the student's measurable progress."

Condition

Sample selections were made from the detailed listing of students receiving DSPS support and services for the 2013-2014 academic year.

We noted 2 out of 25 students selected for testing did not have an updated Student Educational Contract.

Effect

The District is not in compliance with State requirements for DSPS. Based on the total of 1,495 students receiving DSPS support and services and an error rate of 8 percent, the extrapolated error of this finding is 118 students, which results in a total potential error of 120 students when considering the 2 errors noted above.

Cause

No formal policy is in place to ensure records are updated properly.

Fiscal Impact

Not determinable.

Recommendation

The District should develop a formal procedure and implement controls to ensure records are properly updated and maintained.

Corrective Action Plan

The District will develop and implement formal procedures to ensure all DSPS student files contain necessary documentation to maintain compliance.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**YOSEMITE COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Year Ended June 30, 2014

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
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No matters were reported.		