YOSEMITE COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
June 30, 2015

YOSEMITE COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2015

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YOSEMITE COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2015

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Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Yosemite Community College District
Modesto, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Yosemite Community College District, as of and for the year ended June 30, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in June 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, “Accounting and Financial Reporting for Pensions.” Also, in November 2013 the GASB issued GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date”. As discussed in notes 8 and 9, GASB Statements No. 68 and No. 71 are effective for the District’s fiscal year ending June 30, 2015. These Statements replace the requirements of GASB Statement No. 27, “Accounting for Pensions by State and Local Governmental Employers” and GASB Statement No. 50, “Pension Disclosures.” GASB Statements No. 68 and No. 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information (RSI) requirements about pensions are also addressed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 4 to 15 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress and Schedule of Employer Contributions, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 52 to 56 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule of expenditures of federal awards and other supplementary information as listed in the table of contents, except for the Organization, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Organization, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Organization on page 58 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 23, 2015 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 23, 2015

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, 2015. 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.

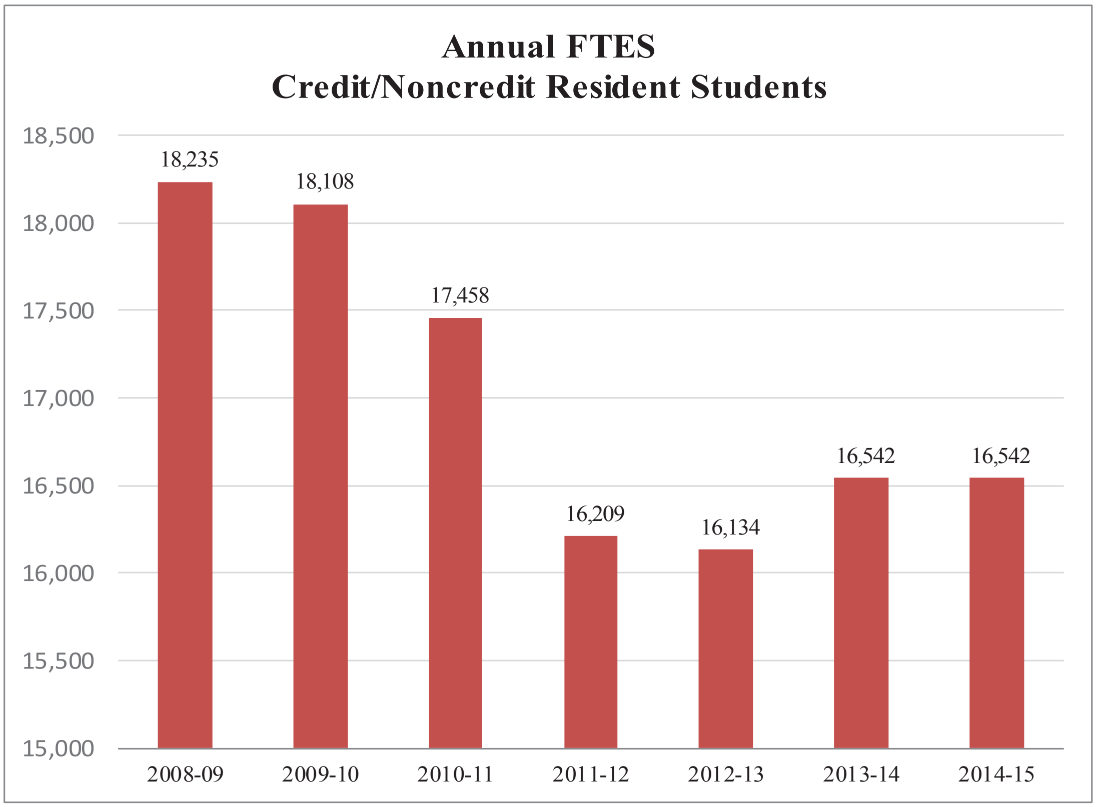
FINANCIAL HIGHLIGHTS

The 2014-15 Budget Act included a 0.85% or $711,000, cost-of-living adjustment (COLA). The growth rate allowed was 2.75% and would fund approximately 455 additional full-time equivalent students (FTES). However, the FTES target was set at 16,542 which was the funded number of FTES from 2013-14. The colleges were not in a position to capture FTES growth in 2014-2015.

The District recorded $84,368,241 of state apportionment and utilized $702,609 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.

ATTENDANCE

Although there was the availability for growth in the Budget Act, the District reported and was funded for the same number of FTES in 2014-15 as in 2013-14. Actual FTES reported in 2014-15 was 16,542. The chart below shows actual FTES reported for 2014-15 fiscal year as well as the previous six years.



GENERAL FUND RESERVE

The District has a designated reserve in the General Fund of $9.0 million or approximately 10% of the General Fund unrestricted expenditures budget for 2014-15. For the 2015-16 budget year, the District has a 10% designated reserve on the General Fund unrestricted budgeted expenditures, a $2.7 million additional reserve for PERS and STRS increases, $360,000 reserved for excess vacation accrual, and just above $3.5 million in undesignated reserves.

SALARIES AND BENEFITS

Eligible employees received stability pay as per their employee group contracts during the fiscal year. The District paid the cost of a base health benefit plan for eligible employees at an annual cost per employee of $18,582. There will be a 5% cost of living salary adjustment for District employee groups in 2015-16 and the District paid base health plan will increase to $18,744 per eligible employee.

ECONOMIC FACTORS AFFECTING THE FUTURE

The 2015-16 State Budget Act includes a COLA of 1.02%, base apportionment increase of approximately 4.65%, and growth rate of 2.6%. Additional categories of renewed funding includes Student Success, Student Equity, Proposition 39 Energy Efficiency funding, Scheduled Maintenance funding, Extended Opportunities Programs and Services, Disabled Students Program, and CalWORKS. The District is also anticipating the receipt of one-time funds from outstanding mandates. The District's share as proposed in the state budget is approximately $9.3 million. As these are one-time funds, the spending plan for these funds are for initiatives that do not rely on ongoing funds. The District is considering participating in a Pension Rate Stabilization Program offered by Public Agency Retirement Services (PARS) to cover the cost of escalating employer rate increases for PERS and STRS. The District will also allocate funds for instructional equipment needs, transfer additional funds to the other post-employment benefit (OPEB) trust, and allocation additional funds to compliment the scheduled maintenance state dollars for projects Districtwide.

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, 2015, was $25,371,637. 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 2014-15 of $2,085,000, which includes the ARC, the net annual OPEB obligation (OPEB asset) at June 30, 2015, is positive $4,891,336. The positive balance will be recognized in the 2015-16 year ARC calculation.

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

GENERAL OBLIGATION BOND- MEASURE E

In November 2004, voters in the District approved Measure E, the $326 million general obligation bond for the repair, upgrade, and new construction of Modesto Junior College and Columbia College facilities and the expansion of college education centers in Patterson, Oakdale, Turlock, and Angels Camp, California. The sale of the first of the three bond issues in the amount of $94 million was made in May 2005; the second sale in the amount of $150 million took place in April 2008; and the third and final bond issue was sold in June 2010 in the amount of $82 million. In July 2012, the District refunded $57,150,000 of bonds issued in 2005. The net savings of this refunding was $4,528,621. Completed and in-use projects are: MJC auditorium, MJC Ag-modular living units, MJC Ag-animal facilities renovation, MJC campus way parking lot, MJC loop road/infrastructure (Increment I), MJC parking structure/lot, MJC softball complex, MJC Ag Multipurpose Pavilion, MJC Allied Health Building, MJC Art Building Renovation, MJC Founders Hall Modernization, MJC Student Services Building, MJC Redbud Distance Education, MJC Science Center, MJC Roadways, CC Science Natural Resources Building, Columbia College (CC) bus service loop/disabled parking lot, CC 200 space parking lot, CC child development center, CC Madrone building modernization, CC Public Safety Center, CC Manzanita Building, CC roadways, Central Services (CS) Ag trailers, CS master plan, CS district office, and CS Capital Outlay Debt Service.

The Measure E Program Management Plan was Board approved in February 2006. The program, which was originally planned as a four-phase, twelve-year effort, has been reduced to a three-phase, nine-year plan. This significantly reduces the impact of inflation. The District's Board approved revised Measure E budgets for both Modesto Junior College and Columbia College in the spring of 2011. In January 2012, the District's Board approved revised Measure E budgets for Modesto Junior College and Central Services. Modesto Junior College reallocated existing funds from savings from completed projects. Based upon the bi-annual arbitrage studies that resulted in negative arbitrage calculation, Central Services augmented their allocation by $20,000,000 from investment earnings for the purpose of building a Central Services office, improving roads and stop lights, and adding solar energy to the District's sites. The 2014-15 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.

	2015	2014	Change
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 29,330,628	$ 25,382,653	16%
Receivables	8,350,789	18,743,827	-55%
Inventory, prepaid, and other assets	1,420,655	1,654,886	-14%
Total Current Assets	39,102,072	45,781,366	-15%
NONCURRENT ASSETS			
Restricted cash and cash equivalents	90,397,156	101,090,265	-11%
Long-term investments	929,524	996,804	-7%
Loans to students	136,777	148,632	-8%
Net OPEB asset	4,891,336	2,903,169	68%
Capital assets - net	392,550,252	365,167,641	7%
Total Noncurrent Assets	488,905,045	470,306,511	4%
Total Assets	528,007,117	516,087,877	2%
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	6,290,790	-	0%
Deferred amount on debt refunding	4,623,729	4,979,400	-7%
TOTAL ASSETS AND DEFERRED OUTFLOWS	538,921,636	521,067,277	3%
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	11,118,642	10,052,999	11%
Advances from grantors and students	15,260,360	10,485,896	46%
Other current liabilities	13,879,973	12,929,607	7%
Total Current Liabilities	40,258,975	33,468,502	20%
NONCURRENT LIABILITIES			
Long-term liabilities - noncurrent portion	418,044,895	341,119,833	23%
Total Liabilities	458,303,870	374,588,335	22%
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	21,296,250	-	0%
NET POSITION			
Net investment on capital assets	123,412,700	122,195,749	1%
Restricted	19,301,662	15,071,858	28%
Subtotal	142,714,362	137,267,607	4%
Unrestricted:			
General Reserve	9,100,000	8,800,000	3%
Contingency reserve and other designations	(92,492,846)	411,335	-22586%
Total Unrestricted	(83,392,846)	9,211,335	-1005%
Total Net Position	$ 59,321,516	$ 146,478,942	-60%

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.

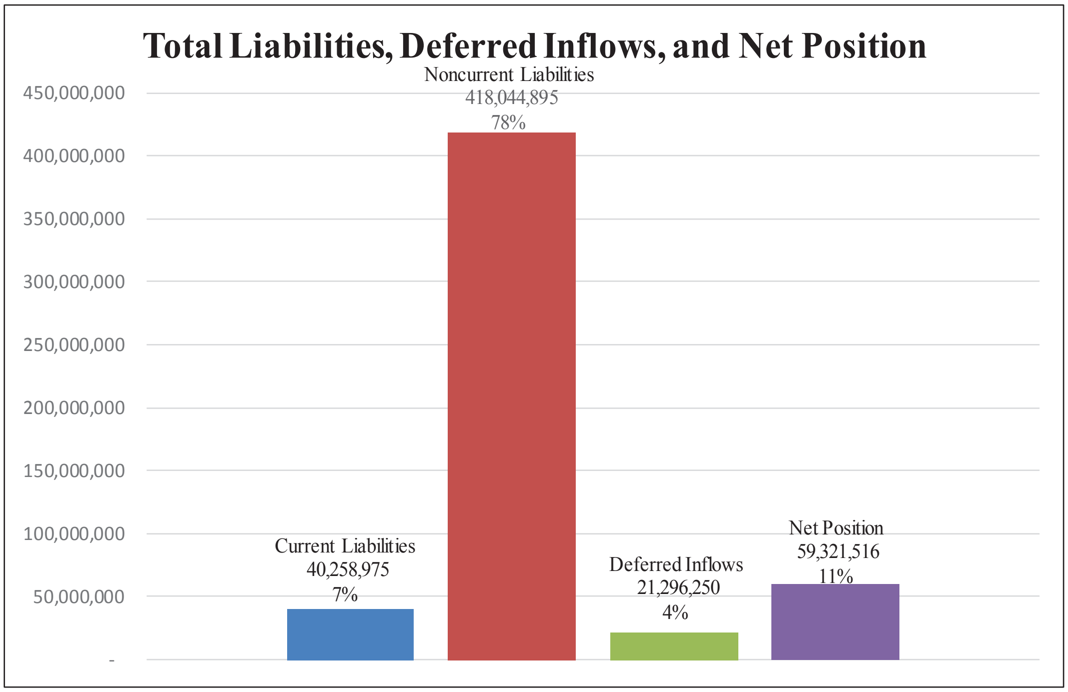
Net capital assets are the historical value of land, buildings, and equipment less accumulated depreciation. A total of $30 million was added to net capital assets as a result of construction in progress in the General Obligation Bond Funds. The footnotes to the financial statements contain a breakdown of the net capital assets.

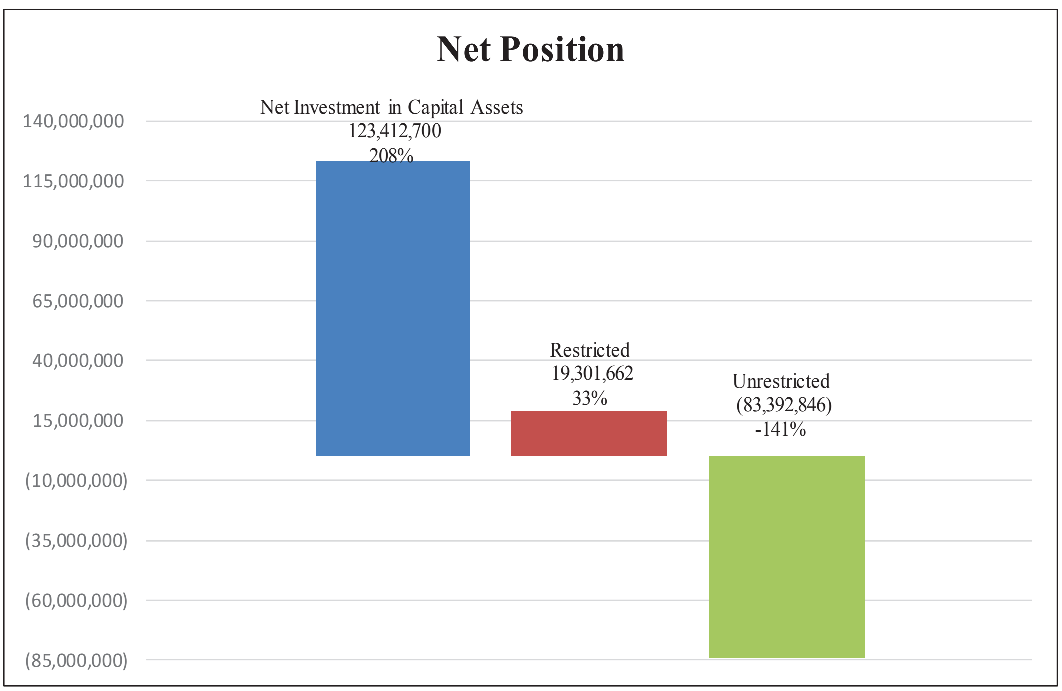
Accounts payable and accrued liabilities consist mainly of accrued payroll and payables due to vendors.

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 2015-16 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 $2,025,485, the net pension liability of $73,475,000, and the general obligation bonds of $294,006,051 are the major components of the noncurrent portion.

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


Total Liabilities, Deferred Inflows, and Net Position
450,000,000
400,000,000
350,000,000
300,000,000
250,000,000
200,000,000
150,000,000
100,000,000
50,000,000
-
Current Liabilities
40,258,975
7%
Noncurrent Liabilities
418,044,895
78%
Deferred Inflows
21,296,250
4%
Net Position
59,321,516
11%


Net Position
140,000,000
115,000,000
90,000,000
65,000,000
40,000,000
15,000,000
(10,000,000)
(35,000,000)
(60,000,000)
(85,000,000)
Net Investment in Capital Assets
123,412,700
208%
Restricted
19,301,662
33%
Unrestricted
(83,392,846)
-141%

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.

	2015	2014	Change
Revenues			
Operating Revenues:			
Net tuition and fees	$ 6,959,570	$ 7,068,015	-2%
Grants, contracts, and other designated revenues	31,692,010	29,047,266	9%
Auxiliary enterprise, net	5,799,942	6,055,275	-4%
Other Operating Income	861,491	955,099	-10%
Total Operating Revenues	45,313,013	43,125,655	5%
Total Operating Expenses	156,258,209	151,689,492	3%
Operating Loss	(110,945,196)	(108,563,837)	2%
Nonoperating revenues (expenses)			
State apportionments - noncapital	47,626,367	48,429,605	-2%
Local property taxes	33,636,987	29,121,640	16%
Lottery and other revenue	35,045,017	36,011,567	-3%
Interest Expense - Capital	(18,461,597)	(17,869,085)	3%
Investment income	494,017	1,167,243	-58%
Other nonoperating revenues (expenses) - net	1,446,184	945,697	53%
Total Nonoperating Revenues (Expenses)	99,786,975	97,806,667	2%
Loss before other revenues, expenses, gains, or losses	**(11,158,221)**	**(10,757,170)**	-4%
Apportionment and property taxes - capital	12,456,023	14,844,393	-16%
Increase in Net Position	1,297,802	4,087,223	-68%
Net Position, July 1, 2014	146,478,942	142,391,719	3%
Cumulative effect of GASB 68 implementation	(88,455,228)	-	0%
Net Position, July 1, 2014 as restated	58,023,714	142,391,719	-59%
Net Position - End of Year	$ 59,321,516	$146,478,942	-60%

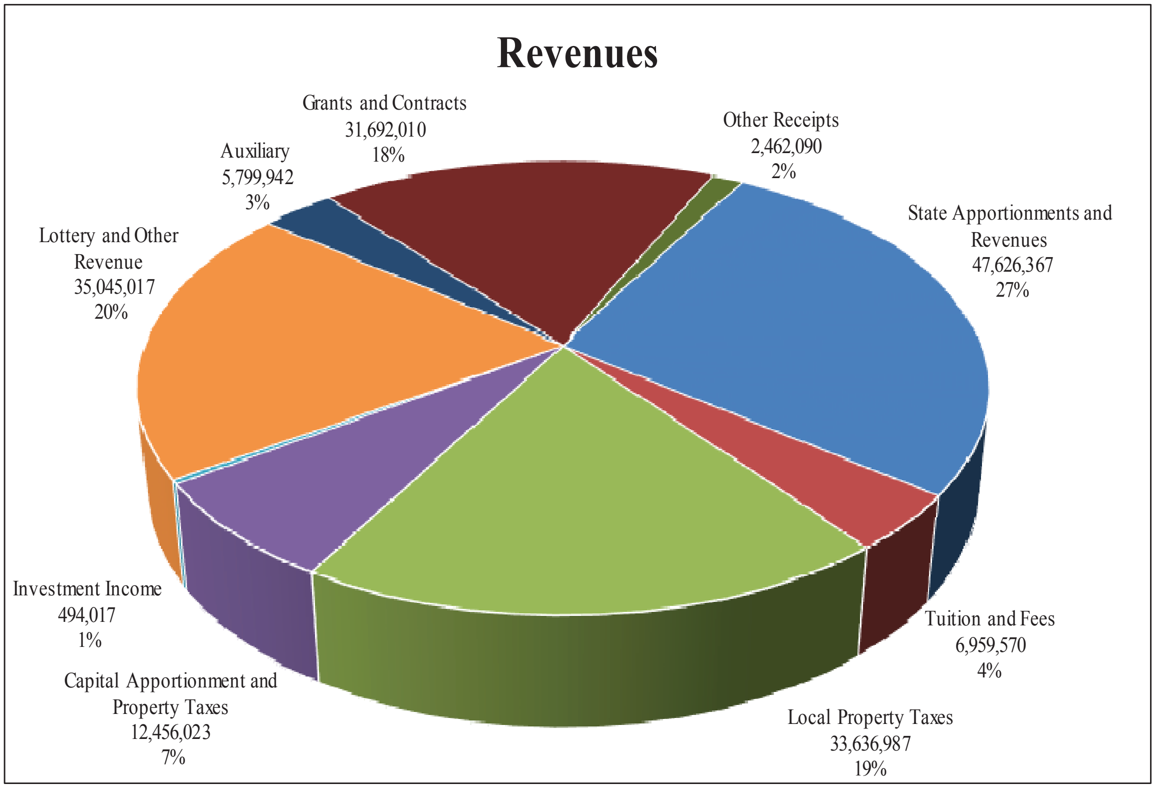
REVENUES

Net tuition and fees consist of enrollment fees of $6,959,570; nonresident tuition of $407,019 and all other fees of $2,233,770. 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.

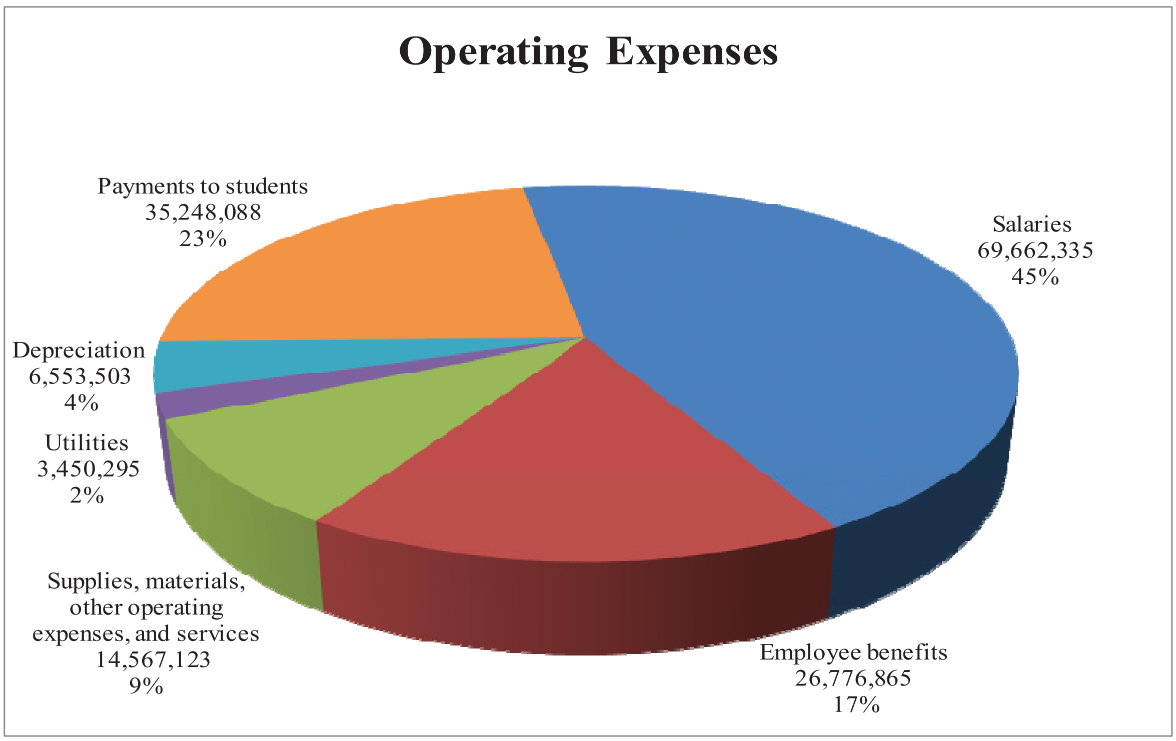
State apportionment represents total general apportionment earned less regular enrollment fees and property taxes.

Lottery and other revenues consist of Pell grant revenue of $31,080,880, unrestricted state lottery revenue of $2,248,199, and other state revenues of $1,715,938.



OPERATING EXPENSES (BY NATURAL CLASSIFICATION – ALL FUNDS)

	2015	2014	Change
Salaries	$ 69,662,335	$ 68,520,737	2%
Employee benefits	26,776,865	25,522,248	5%
Supplies, materials, other operating expenses, and services	14,567,123	13,034,397	12%
Utilities	3,450,295	3,431,057	1%
Depreciation	6,553,503	5,681,591	15%
Payments to students	35,248,088	35,499,462	-1%
Total Operating Expenses	$ 156,258,209	$ 151,689,492	3%



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.

	2015	2014
Cash provided (used) by:		
Operating activities	$ (100,882,656)	$ (100,057,932)
Noncapital financing activities	128,336,019	116,532,636
Capital and related financing activites	(34,559,136)	(28,465,489)
Investment activities	360,639	331,382
Net Decrease in Cash	(6,745,134)	(11,659,403)
Cash - Beginning of the Fiscal Year	126,472,918	138,132,321
Cash - End of the Fiscal Year	$ 119,727,784	$ 126,472,918

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 form CALSTRS identifying the CalSTRS funding gap and notifying community college districts that through gradual shared contribution rate increases over 32 years by Cal STRS members, employers, and the State of California, that CalSTRS will be fully funded.

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

Increases in member and employer contribution rates are only for creditable compensation under the defined Benefit Program paid to CalSTRS members for service performed after July 1, 2014. The Yosemite Community College District calculated the estimated increased cost for employer contributions to CalSTRS based on the statutory rate increases over the next six years and established a fund balance contingency to cover the increased CalSTRS contribution cost for the next two years. The amount set aside in the fund balance contingency to pay the increased cost for two years is $1,379,540. 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 $1,320,469. 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:

Fiscal Year	CalSTRS	CalPERS	Estimated Increased Costs
2014-2015	8.88%	11.77%	$ 383,077
2015-2016	10.73%	11.85%	1,004,103
2016-2017	12.58%	13.05%	1,023,362
2017-2018	14.43%	16.60%	1,676,648
2018-2019	16.28%	18.20%	1,134,561
2019-2020	18.13%	19.90%	1,162,359
2020-2021	19.10%	20.40%	500,601
		Total	$ 6,884,711

General Obligation Bond Refinancing

In July 2015, the District advance refunded general obligation bonds totaling $120.2 million with the 2015 General Obligation Bonds at a premium of $19.6 million. This advance refunding saved tax payers approximately $12.5 million.

YOSEMITE COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

ASSETS	
Current assets:	
Cash and cash equivalents	$ 29,330,628
Receivables, net	8,350,789
Inventory	1,241,442
Prepaid expenses	179,213
Total current assets	39,102,072
Noncurrent assets:	
Restricted cash and cash equivalents	90,397,156
Investments	929,524
Loans to students	136,777
Net OPEB asset	4,891,336
Nondepreciable capital assets	178,350,528
Depreciable capital assets, net	214,199,724
Total noncurrent assets	488,905,045
Total assets	528,007,117
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow of resources - pensions	6,290,790
Deferred amount on debt refunding	4,623,729
Total deferred outflows of resources	10,914,519
Total assets and deferred outflows of resources	$ 538,921,636
LIABILITIES	
Current liabilities:	
Accounts payable	$ 6,574,763
Unearned revenue	15,260,360
Accrued salaries and benefits payable	4,543,879
Other accrued liabilities	5,320,890
Amounts held in trust for others	609,139
Long-term liabilities, current portion	7,949,944
Total current liabilities	40,258,975
Noncurrent liabilities:	
Long-term liabilities, net of current portion	418,044,895
Total liabilities	458,303,870
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	21,296,250
NET POSITION	
Net investment in capital assets	123,412,700
Restricted for capital projects and debt service	19,301,662
Unrestricted	(83,392,846)
Total net position	59,321,516
Total liabilities, deferred inflows of resources and net position	$ 538,921,636

See accompanying notes to the basic financial statements.

YOSEMITE COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

For the Year Ended June 30, 2015

Operating revenues:	
Tuition and fees	$ 20,981,037
Less: scholarship discounts and allowances	(14,021,467)
Net tuition and fees	6,959,570
Grants and contracts, non-capital:	
Federal	8,278,697
State	19,023,914
Local	4,389,399
Other operating receipts	861,491
Auxiliary enterprise sales and charges	5,799,942
Total operating revenues	45,313,013
Operating expenses:	
Salaries	69,662,335
Employee benefits	26,776,865
Supplies, materials, and other operating expenses	14,567,123
Utilities	3,450,295
Depreciation	6,553,503
Payments to students	35,248,088
Total operating expenses	156,258,209
Loss from operations	(110,945,196)
Non-operating revenues:	
State apportionments	47,626,367
Local property taxes, non-capital	33,636,987
State taxes and other revenues	3,964,137
Pell grants	31,080,880
Interest expense - capital	(18,461,597)
Investment income, net	494,017
Loss on disposal of assets	(154,415)
Other non-operating revenues	1,600,599
Total non-operating revenues	99,786,975
Loss before capital contributions	(11,158,221)
Capital contributions:	
Local property taxes and revenues, capital	12,456,023
Change in net position	1,297,802
Net position, July 1, 2014	146,478,942
Cumulative effect of GASB 68 implementation	(88,455,228)
Net position, July 1, 2014, as restated	58,023,714
Net position, June 30, 2015	$ 59,321,516

See accompanying notes to the basic financial statements.

YOSEMITE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2015

Cash flows from operating activities:	
Tuition and fees	$ 4,505,683
Federal, state and local grants and contracts	38,370,265
Payments to suppliers	(17,973,294)
Payments to / on behalf of employees	(97,210,510)
Payments to / on behalf of students	(35,236,233)
Auxiliary enterprises sales and charges	5,799,942
Other operating revenues	861,491
Net cash used in operating activities	(100,882,656)
Cash flows from noncapital financing activities:	
State apportionment and receipts	57,668,083
Property taxes	33,636,987
State taxes and other revenues	3,964,137
Pell grants	31,080,880
Amounts held in trust	36,692
Other payments	1,949,240
Net cash provided by noncapital financing activities	128,336,019
Cash flows from capital and related financing activities:	
Purchases of capital assets	(34,090,529)
Principal paid on capital debt	(3,617,430)
Interest paid on capital debt	(9,507,858)
Interest and dividends from capital investments	200,658
Local property taxes and other revenues for capital	12,456,023
Net cash used in capital and related financing activities	(34,559,136)
Cash flows from investing activities:	
Sale of investments, net	338,662
Purchase of investments	21,977
Net cash provided by investing activities	360,639
Net change in cash and cash equivalents	(6,745,134)
Cash and cash equivalents, beginning of year	126,472,918
Cash and cash equivalents, end of year	$ 119,727,784

(Continued)

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2015

Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	$	(110,945,196)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation expense		6,553,503
Changes in assets and liabilities:		
Receivables		390,429
Inventory		65,607
Prepaid expenses		168,624
Loans to students		11,855
OPEB asset		(1,988,167)
Deferred outflows of resources - pensions		(405,018)
Accounts payable		(198,399)
Unearned revenue		3,703,077
Accrued salaries and benefits payable		1,264,042
Other accrued liabilities		139,154
Compensated absences		(72,417)
Net pension liability		(20,866,000)
Deferred inflows of resources - pensions		21,296,250
Net cash used in operating activities	$	(100,882,656)

Supplementary disclosure of non-cash transactions:

Amortization of premiums on debt	$	683,639
Amortization of deferred amount on refunding	$	355,671
Accretion of interest	$	9,599,989

See accompanying notes to the basic financial statements.

YOSEMITE COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	OPEB Trust
ASSETS	
Cash and cash equivalents	$ 1,190,670
Investments:	
Mutual funds - equities	14,635,793
Mutual funds - fixed income	9,545,174
Total assets	$ 25,371,637
NET POSITION	
Total net position held in trust for plan participants	$ 25,371,637

See accompanying notes to the basic financial statements.

YOSEMITE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2015

	OPEB Trust
Additions:	
Contributions:	
Employer	$ 2,947,972
Plan member	473,744
Total contributions	3,421,716
Net investment income:	
Net depreciation in the fair value of plan investments	(470,038)
Interest and dividends	510,759
Investment expenses	(167,334)
Total net investment income	(126,613)
Total additions	3,295,103
Deductions:	
Benefits	2,933,438
Excess of additions over deductions	361,665
Net position held in trust for plan participants, July 1, 2014	25,009,972
Net position held in trust for plan participants, June 30, 2015	$ 25,371,637

See accompanying notes to the basic 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, 2015.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

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, 2015, the District earned $867,582 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.

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 $327,426 at June 30, 2015.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $18,461,597 and $11,334,269, respectively, during the year ended June 30, 2015.

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 has recognized a deferred loss on refunding reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the payments made subsequent to the measurement date for the pensions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

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

Pensions

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

	CalSTRS	CalPERS	Total
Deferred outflows of resources	$ 3,030,075	$ 3,260,715	$ 6,290,790
Deferred inflows of resources	$ 10,833,000	$ 10,463,250	$ 21,296,250
Net pension liability	$ 43,990,000	$ 29,485,000	$ 73,475,000
Pension expense	$ 6,078,147	$ 2,503,875	$ 8,582,022

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, 2015, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Scholarship Discounts and Allowances

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

Risk Management

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

Certain liability coverage in excess of $1,000,000 and up to $25,000,000 is provided by pooled insurance as a member of a joint powers authority of California community colleges and school districts. Property damage in excess of $5,000 and up to $100,000,000 is provided by pooled insurance as a member of a joint powers authority. There have been no significant reductions in insurance coverage from coverage in the prior year.

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

Estimates

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

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

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

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

New Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and GASB 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. GASB 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 financial period beginning July 1, 2014. Based on the implementation of GASB Statement No. 68, the District’s July 1, 2014 net position was restated by $88,455,228 because of the recognition of the net pension liability and deferred outflows of resources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In November 2013, the GASB issued GASB 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 GASB 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 GASB 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. GASB 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 GASB Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 71, the District established a deferred outflow category to report the payments made subsequent to the measurement date of the pensions as well as deferred inflow category to report the net differences between projected and actual earnings on investments of the pensions in the statement of net position.

In February 2015, the GASB issued its final standard on accounting and financial reporting issues related to fair value measurements, applicable primarily to investments made by state and local governments. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under GASB Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of GASB Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of Statements No. 67 and 68, completes the suite of pension standards. GASB Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by GASB Statements No. 67 and No. 68). The requirements in GASB Statement No. 73 for reporting pensions generally are the same as in GASB Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions in GASB Statement No. 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. Management has not determined what impact this statement will have on its financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2015, the GASB issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The GASB Statement follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. GASB Statement No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This statement is effective for the District's fiscal year ending June 30, 2017. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB has issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. GASB Statement No. 75 carries forward from GASB Statement No. 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances (called special funding situations) GASB Statement No. 75 requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. This statement is effective for the District's fiscal year ending June 30, 2018. Earlier application is encouraged. Management has not determined what impact this GASB statement will have on its financial statements, however it is expected to be significant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2015, the GASB has issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. That will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement also is intended to improve implementation guidance by elevating its authoritative status to a level that requires it be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. In connection with Statement 76, the GASB also recently cleared Implementation Guide No. 2015-1, which incorporates changes resulting from feedback received during the public exposure of all of implementation guidance previously issued. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this GASB statement will have on its financial statements.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following is a summary of cash and cash equivalents at June 30, 2015:

Cash in county treasury	$ 110,376,237
Cash in banks	5,770,049
Cash on hand	75,093
Certificates of deposit	2,461,861
Money market mutual funds	1,044,544
Total cash and cash equivalents	119,727,784
Less: Restricted cash and cash equivalents	90,397,156
Net cash and cash equivalents	$ 29,330,628

The following is a summary of investments at June 30, 2015:

U.S. treasuries and agencies	$ 329,336
Corporate bonds	213,739
Bond mutual funds	295,590
Equity mutual funds	69,207
Equity securities	21,652
Total investments	$ 929,524

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, 2015, the carrying amount of the District's cash in banks was $5,770,049 and the bank balance was $5,575,701. The bank balance amount insured was $548,108.

Cash and cash equivalents of $1,190,670 and investments of $24,180,967 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.

		S&P's Rating as of Year End						
	Fair Value	AAA	AA+	AA	AA-	A	A-	Unrated
U.S. treasuries and agencies	$ 329,336	$ 294,351	$ -	$ -	$ -	$ -	$ -	$ 34,985
Corporate bonds	213,739	51,562	21,032	75,275	-	7,428	58,442	-
Bond mutual funds	295,590	111,688	99,018	28,211	56,673	-	-	-
Equity mutual funds	69,207	-	-	-	-	-	-	69,207
Equity securities	21,652	-	-	-	-	-	-	21,652
Total	$ 929,524	$ 457,601	$ 120,050	$ 103,486	$ 56,673	$ 7,428	$ 58,442	$ 125,844

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.

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, 2015, is as follows:

		Maturity (in Years)		
Investment Type	Fair Value	Less than1	1-5	6-10
U.S. treasuries and agencies	$ 329,336	$ 65,149	$ 264,187	$ -
Corporate bonds	213,739	50,318	111,858	51,563
Bond mutual funds	295,590	19,893	275,697	-
Equity mutual funds	69,207	69,207	-	-
Equity securities mutual funds	21,652	21,652	-	-
Totals	$ 929,524	$ 226,219	$ 651,742	$ 51,563

4. ACCOUNTS RECEIVABLE

Accounts receivable net of allowance for uncollectible accounts consisted of the following at June 30, 2015:

State grants and contracts	$ 3,273,993
Federal grants and contracts	2,398,747
Local grants and contracts	1,340,650
Enrollment	1,076,042
Other	261,357
Total	$ 8,350,789

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, is as follows:

	Balance July 1, 2014	Additions and Transfers	Deductions and Transfers	Balance June 30, 2015
Non-depreciable:				
Construction in progress	$195,734,554	$ 29,874,930	$ (63,264,960)	$162,344,524
Land	9,727,682	6,278,322	-	16,006,004
Depreciable:				
Site improvements	8,108,238	11,570,476	-	19,678,714
Buildings and improvements	188,762,398	45,416,161	-	234,178,559
Equipment	24,805,197	4,215,599	(212,209)	28,808,587
Total	427,138,069	97,355,488	(63,477,169)	461,016,388
Less accumulated depreciation:				
Site improvements	2,703,470	982,003	-	3,685,473
Buildings and improvements	39,918,697	3,833,629	-	43,752,326
Equipment	19,348,261	1,737,871	(57,795)	21,028,337
Total	61,970,428	6,553,503	(57,795)	68,466,136
Capital assets, net	$365,167,641	$ 90,801,985	$ (63,419,374)	$392,550,252

6. UNEARNED REVENUE

Unearned revenue consisted of the following at June 30, 2015:

Local sources	$ 3,852,285
Federal grants and contracts	339,798
State grants and contracts	8,838,200
Student fees	2,230,077
Total	$ 15,260,360

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%.

7. LONG TERM LIABILITIES (Continued)

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

	Principal	Interest	Total
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	580,000	697,865	1,277,865
2021-2025	3,925,000	2,966,240	6,891,240
2026-2030	10,195,000	1,484,468	11,679,468
Totals	$ 16,580,000	$ 8,197,719	$ 24,777,719

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 $1,497,353 and $16,735,516 at June 30, 2015, respectively.

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

	Principal	Interest	Total
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	2,955,151	5,500,000	8,455,151
2021-2025	16,508,637	27,500,000	44,008,637
2026-2030	56,381,121	22,890,708	79,271,829
2031-2033	57,195,000	4,769,875	61,964,875
Totals	$ 143,025,559	$ 82,660,583	$ 225,686,142

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 $966,465 and accreted interest on the capital appreciation bonds and convertible capital appreciation bonds were $27,940,017 at June 30, 2015.

7. LONG TERM LIABILITIES (Continued)

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

	Principal	Interest	Total
2016	$ 90,000	$ 141,012	$ 231,012
2017	100,000	137,766	237,766
2018	140,000	133,729	273,729
2029	125,000	129,457	254,457
2020	190,000	124,048	314,048
2021-2025	1,315,000	486,105	1,801,105
2026-2030	1,670,000	91,317	1,761,317
2031-2035	16,119,767	104,330,449	120,450,216
2036-2040	30,595,482	233,704,078	264,299,560
2041-2043	31,063,741	217,650,855	248,714,596
Totals	$ 81,408,990	$ 556,928,816	$ 638,337,806

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, 2015, $54,150,000 of bonds outstanding are considered defeased.

Unamortized premiums on the 2012 Refunding Bonds were $5,305,454 at June 30, 2015.

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

	Principal	Interest	Total
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	3,070,000	1,858,345	4,928,345
2021-2025	19,910,000	7,085,335	26,995,335
2026-2030	25,345,000	2,196,894	27,541,894
Totals	$ 57,035,000	$ 19,128,599	$ 76,163,599

The long-term liabilities activity for the year ended June 30, 2015, is as follows:

	Beginning Balance, as restated	Additions	Payments and Reductions	Ending Balance	Current Portion
General obligation bonds	$ 301,666,979	$ -	$ 3,617,430	$ 298,049,549	$ 4,043,498
Unamortized bond premiums	8,452,911	-	683,639	7,769,272	649,458
Accreted interest	36,018,114	9,599,989	942,570	44,675,533	1,231,503
Net pension liability	94,341,000	-	20,866,000	73,475,000	-
Compensated absences	2,097,902	-	72,417	2,025,485	2,025,485
Total	$ 442,576,906	$ 9,599,989	$ 26,182,056	$ 425,994,839	$ 7,949,944

8. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description

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

Benefits Provided

The STRP Defined Benefit Program has two benefit formulas:

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

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

CalSTRS 2% at 60

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

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

8. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

General Information about the State Teachers' Retirement Plan (Continued)

Benefits Provided (Continued)

CalSTRS 2% at 62

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

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

Contributions

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

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

Members – Under CalSTRS 2% at 60, the member contribution rate was 8.15 percent of applicable member earnings for fiscal year 2014-15. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.15 percent of applicable member earnings for fiscal year 2014-15.

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

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

Employers – 8.88 percent of applicable member earnings.

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

8. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

General Information about the State Teachers' Retirement Plan (Continued)

Contributions (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2014-15 through fiscal year 2045-46 are summarized in the table below:

Effective Date	Prior Rate	Increase	Total
July 01, 2014	8.25%	0.63%	8.88%
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The District contributed $3,030,075 to the plan for the fiscal year ended June 30, 2015.

State – 5.954 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

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

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

8. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

General Information about the State Teachers' Retirement Plan (Continued)

Contributions (Continued)

The CalSTRS state contribution rates effective for fiscal year 2014-15 and beyond are summarized in the table below:

Effective Date	Base Rate	AB 1469 Increase For 1990 Benefit Structure	SBMA Funding	Total State Appropriation to DB Program
July 01, 2014	2.017%	1.437%	2.50%	5.954%
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.571%*

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

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$ 43,990,000
State's proportionate share of the net pension liability associated with the District	26,563,000
Total	$ 70,553,000

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2014, the District's proportion was 0.075%, which was an increase of zero from its proportion measured as of June 30, 2013.

8. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

For the year ended June 30, 2015, the District recognized pension expense of $6,078,147 and revenue of $2,266,000 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	10,833,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	3,030,075	-
Total	$ 3,030,075	$ 10,833,000

$3,030,075 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	$ 2,708,250
2017	$ 2,708,250
2018	$ 2,708,250
2019	$ 2,708,250

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2014. The STRP net pension liability as of June 30, 2013 and the STRP net pension liability as of June 30, 2014 are based on the June 30, 2013 actuarial valuation for the first year of implementation. As a result there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

8. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

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

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

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

* 10-year geometric average

8. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

Discount Rate

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	$ 68,569,000	$ 43,990,000	$ 23,496,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

9. NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description

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

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at https://www.calpers.ca.gov/docs/forms-publications/cafr-2014.pdf.

9. NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

General Information about the Public Employer's Retirement Fund B (Continued)

Benefits Provided

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

Contributions

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

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

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2015 were as follows:

Members – The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2014-15.

Employers – The employer contribution rate was 11.771 percent of applicable member earnings.

The District contributed $3,260,715 to the plan for the fiscal year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of $29,485,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2014, the District's proportion was 0.260%, which was an decrease of 0.003 percent from its proportion measured as of June 30, 2013.

9. NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

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

For the year ended June 30, 2015, the District recognized pension expense of $2,614,625. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	10,131,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	332,250
Contributions made subsequent to measurement date	3,260,715	-
Total	$ 3,260,715	$ 10,463,250

$3,260,715 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	$ 2,643,500
2017	$ 2,643,500
2018	$ 2,643,500
2019	$ 2,532,750

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of June 30, 2013. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

9. NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

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

Actuarial Methods and Assumptions

The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

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

Asset Class	Long-Term* Assumed Asset Allocation	Expected Real Rate of Return
Global Equity	47%	5.25%
Global Fixed Income	19%	0.99%
Inflation Insensitive	6%	0.45%
Private Equity	12%	6.83%
Real Estate	11%	4.50%
Infrastructure & Forestland	3%	4.50%
Liquidity	2%	(0.55)%

* 10-year geometric average

9. NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in the actuarial valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Plan and the District.

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

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

9. NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 51,579,000	$ 29,485,000	$ 10,749,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

In addition to the pension benefits described in Notes 8 and 9, the District provides postemployment health care benefits to employees who retire from the District based on the rule of 70. The rule of 70 is any combination of the retiree's minimum age of 50 and years of regular District service equal to 70 or more. The District covers the retiree and all eligible dependents until the employee reaches age 65. Employees hired prior to July 1, 2004, receive District paid healthcare benefits to the retiree's age of 70.

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

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

10. 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	(195,964)
Adjustment to annual required contribution	268,737
Annual OPEB cost (expense)	1,826,190
Contributions made	(3,814,357)
Increase in net OPEB asset	(1,988,167)
Net OPEB asset – beginning of year	(2,903,169)
Net OPEB asset – end of year	$ (4,891,336)

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, 2015, and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net Ending OPEB Asset
June 30, 2013	$ 2,131,939	130%	$ (3,545,459)
June 30, 2014	$ 1,842,290	65%	$ (2,903,169)
June 30, 2015	$ 1,826,190	209%	$ (4,891,336)

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. The actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) was 76 percent.

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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. The remaining equivalent amortization period for the UAAL at June 30, 2015 is 12 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.

11. 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, 2015, the District has approximately $15.1 million in outstanding commitments on construction contracts.

11. COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases

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

Year Ending June 30,	
2016	$ 43,662
2017	40,833
2018	21,094
2019	9,847
2020	7,702
	$ 123,138

Rent expenses were $71,409 for the year ended June 30, 2015.

12. 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.

12. JOINT POWER AGREEMENTS (Continued)

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

	VIP June 30, 2014	SISCIII September 30, 2014	TPPA June 30, 2014
Total assets	$ 21,505,157	$ 304,614,232	$ 2,210,337
Total liabilities	$ 6,303,253	$ 159,022,820	$ 335,134
Net position	$ 15,201,904	$ 145,591,412	$ 1,875,203
Total revenues	$ 5,422,577	$ 1,519,341,871	$ 1,799,681
Total expenses	$ 4,911,877	$ 1,541,013,235	$ 1,947,828
Change in net position	$ 510,700	$ (21,671,364)	$ (148,147)

13. SUBSEQUENT EVENT

On July 28, 2015, the District closed on the 2015 General Obligation Refunding Bond. Proceeds of $14,040,000 will be used to refund the Election of 2004, Series 2005A and proceeds of $106,165,000 will be used to refund the Election of 2004, Series 2008 C. Total par amount is $120,205,000, and the associated premium to be amortized is $19,635,081.

REQUIRED SUPPLEMENTARY INFORMATION

YOSEMITE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Year Ended June 30, 2015

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
December 1, 2009	$ 14,892,238	$ 27,239,843	$ 12,347,605	55%	$ 54,571,502	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%

Schedule of Employer Contributions

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

See independent auditor's report on required supplementary information.

YOSEMITE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

For the Year Ended June 30, 2015

State Teacher's Retirement Plan
Last 10 Fiscal Years

	2015
District's proportion of the net pension liability	0.075%
District's proportionate share of the net pension liability	$ 43,990,000
State's proportionate share of the net pension liability associated with the District	26,563,000
Total net pension liability	$ 70,553,000
District's covered-employee payroll	$ 33,529,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131%
Plan fiduciary net position as a percentage of the total pension liability	76.52%

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

All years prior to 2015 are not available.

(Continued)

YOSEMITE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(Continued)
For the Year Ended June 30, 2015

Public Employers Retirement Fund B
Last 10 Fiscal Years

	2015
District's proportion of the net pension liability	0.260%
District's proportionate share of the net pension liability	$ 29,485,000
District's covered-employee payroll	$ 27,265,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	108%
Plan fiduciary net position as a percentage of the total pension liability	83.38%

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

All years prior to 2015 are not available.

YOSEMITE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

For the Year Ended June 30, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015
Contractually required contribution	$ 3,030,075
Contributions in relation to the contractually required contribution	$ 3,030,075
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 34,122,000
Contributions as a percentage of covered-employee payroll	8.88%

All years prior to 2015 are not available.

(Continued)

YOSEMITE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
(Continued)
For the Year Ended June 30, 2015

Public Employers Retirement Fund B
Last 10 Fiscal Years

		2015
Contractually required contribution	$	3,260,715
Contributions in relation to the contractually required contribution	$	3,260,715
Contribution deficiency (excess)	$	-
District's covered-employee payroll	$	27,701,000
Contributions as a percentage of covered-employee payroll		11.77%

All years prior to 2015 are not available.

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Other Postemployment Benefits Funding Progress

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

B - Schedule of Employer Contributions

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

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

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

D - Schedule of the District's Contributions

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

E - Changes of Benefit Terms

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

F - Changes of Assumptions

There are no changes in assumptions reported in the Required Supplementary Information.

SUPPLEMENTARY INFORMATION

YOSEMITE COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2015

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

Members	Office	Term Expires
Don Viss	Chair	2018
Anne DeMartini	Vice Chair	2018
Tom Hallinan	Member	2016
Linda Flores	Member	2016
Lynn Martin	Member	2018
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

Mr. Marc Beam
Associate Vice Chancellor, Institutional Research

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, 2015

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Grant Number	Federal Expend- itures
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster:			
College Work Study Program	84.033	-	$ 662,077
Pell Grant Program	84.063	-	31,080,880
SEOG	84.007	-	468,351
Passed through California Department of Education:			
Nursing Student Loans	93.364	-	5,224
Subtotal Student Financial Aid Cluster			32,216,532
Direct Programs:			
TRIO Cluster:			
Talent Search	84.044	-	346,530
Upward Bound	84.047	-	566,076
Student support Services	84.042	-	541,626
Subtotal TRIO Cluster			1,454,232
Higher Education - Institutional Aid Cluster:			
Higher Education - Institutional Aid, Strengthening Student Success	84.031S	-	123,721
Higher Education - Institutional Aid Improving Instruction	84.031A	-	905,184
Subtotal Higher Education - Institutional Aid Cluster			1,028,905
Race to the top	84.412	-	58,377
Passed Through California Department of Education:			
Career and Technical Education Cluster:			
Block Grant	84.048	14-C01-070	578
Tech Prep	84.048	CN1000094	717,074
Leadership	84.048	14-342-001	34,549
Subtotal Career and Technical Education Cluster			752,201
Total U.S. Department of Education			35,510,247
Department of Veteran Affairs			
Direct Program:			
Post- Vietnam Era Veterans' Educational Assistance	64.120	-	6,581
U.S. Department of Housing And Urban Development			
Direct Program:			
Hispanic - Serving Institution Assisting Communities	14.514	-	77,552

(Continued)

YOSEMITE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)

For the Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Grant Number	Federal Expend-itures
National Science Foundation			
Direct Program:			
Advanced Technology Education Program	47.076	-	$ 1,308
Agency for International Development			
Direct Program:			
SEED	98.001	-	73,317
U.S. Department Agriculture			
Passed through California Department of Education:			
Forest Reserve	10.670	-	12,919
Child and Adult Care Food Program	10.558	04226-CACFP-50-CC-IC	21,784
Hispanic Serving Institutions Education Grants	10.223	HSIAC-10-CA-33	13,315
Total U.S. Department of Agriculture			48,018
U.S. Department of Health and Human Services			
Passed through California Department of Education:			
Child Care and Development Block Grant	93.575	CN140087	3,423,787
Foster Care	93.658	FKCE	66,222
Temporary Assistance for Needy Families	93.558		127,510
Medical Assistance Program (Medi-Cal)	93.778		14,821
Total U.S. Department of Health and Human Services			3,632,340
National Endowment for the Humanities			
Direct Program:			
NEH Search for Common Ground	45.162	-	10,214
Total Federal Programs			$ 39,359,577

See accompanying note to
supplementary information.

YOSEMITE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2015

	Program Revenues				
	Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total	Total Program Expenditures
Adult Education Consortium	$ 323,520	$ -	$ 216,015	$ 107,505	$ 107,505
Basic Skills	531,348	-	207,024	324,324	324,324
Board Financial Assistance Program	792,720	5,549	-	798,269	798,269
Cal Grants	2,537,098	57,607	-	2,594,705	2,594,705
Cal WORKS	562,956	-	15,144	547,812	547,812
Capacity for Rural Development	161	-	-	161	161
Career Tech Education	197,752	195,786	92	393,446	393,446
CCO EEO Registry	177,492	66,464	-	243,956	243,956
CCPT	2,455,021	-	2,125,079	329,942	329,942
CDTC	199,564	-	-	199,564	199,564
CDTC First 5 California	1,405,927	946,282	-	2,352,209	2,352,209
Child Care Food	11,287	-	9,368	1,919	1,919
Child Development/Toddler	312,731	64,748	-	377,479	377,479
Cooperative Agencies Resources for Education	139,157	-	-	139,157	139,157
CPEC	4,014	-	1,081	2,933	2,933
CTE/Center of Excellence	68,629	86,815	7,885	147,559	147,559
Demonstration Project	43,176	-	43,176	-	-
Disabled Student Program and Services	2,344,863	78,985	24,666	2,399,182	2,399,182
Early Intervention Project	785	-	-	785	785
ED:IMAC	4,035	-	-	4,035	4,035
Enrollment Growth Nursing	247,957	-	60	247,897	247,897
ETP Drought Relief Initiative	1,000,000	-	847,943	152,057	152,057
Extended Opportunity Program and Services	1,363,211	21,761	-	1,384,972	1,384,972
Foster Care Education	53,306	41,283	-	94,589	94,589
Instructional Equipment	779,594	-	104,880	674,714	674,714
Lottery	1,285,932	334,329	1,257,268	362,993	362,993
Nursing, Song Brown Captitation	94,994	5,393	-	100,387	100,387

(Continued)

SCHEDULE OF STATE FINANCIAL AWARDS
(Continued)

For the Year Ended June 30, 2015

	Program Revenues				
	Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total	Total Program Expenditures
Prop 39 - Lighting Retrofit	$ 1,003,283	$ 48,848	$ 63,652	$ 988,479	$ 988,479
Recycling Project	90,672	-	-	90,672	90,672
Scheduled Maintenance Est	2,182,070	-	1,373,766	808,304	808,304
Staff Development	21,411	-	15,442	5,969	5,969
Staff Diversity	29,475	-	29,475	-	-
Student Equity	1,174,331	-	964,674	209,657	209,657
Student Success and Support Programs	2,543,199	3,316	747,418	1,799,097	1,799,097
Telecommunications and Tech Infrastructure Programs	26,432	-	7,046	19,386	19,386

See accompany note to supplementary information.

YOSEMITE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL ATTENDANCE

Annual Attendance as of June 30, 2015

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2014 only)			
1. Noncredit	38	-	38
2. Credit	846	-	846
B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)			
1. Noncredit	36	-	36
2. Credit	1,162	-	1,162
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	10,544	-	10,544
b. Daily Census Contact Hours	832	-	832
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	273	-	273
b. Credit	197	-	197
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	2,251	-	2,251
b. Daily Census Contact Hours	363	-	363
D. Total FTES	16,542	-	16,542
Supplementary Information:			
E. In-Service Training Courses (FTES)	9	-	9
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	233	-	233
b. Credit	794	-	794
CCFS 320 Addendum			
CDCP	166	-	166
Center FTES			
a. Noncredit	-	-	-
b. Credit	-	-	-

See accompanying note 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, 2015

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

See accompanying note to supplementary information.

YOSEMITE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION

For the Year Ended June 30, 2015

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional salaries:							
Contract or regular	1100	$ 18,843,351	$ -	$ 18,843,351	$ 18,878,598	$ -	$ 18,878,598
Other	1300	11,481,712	-	11,481,712	11,557,551	-	11,557,551
Total instructional salaries		30,325,063	-	30,325,063	30,436,149	-	30,436,149
Non-instructional salaries:							
Contract or regular	1200	-	-	-	2,795,323	-	2,795,323
Other	1400	-	-	-	2,788,795	-	2,788,795
Total non-instructional salaries		-	-	-	5,584,118	-	5,584,118
Total academic salaries		30,325,063	-	30,325,063	36,020,267	-	36,020,267
Classified Salaries							
Non-instructional salaries:							
Regular status	2100	-	-	-	16,923,456	-	16,923,456
Other	2300	-	-	-	660,974	-	660,974
Total non-instructional salaries		-	-	-	17,584,430	-	17,584,430
Instructional aides:							
Regular status	2200	1,340,233	-	1,340,233	1,347,071	-	1,347,071
Other	2400	41,046	-	41,046	61,643	-	61,643
Total instructional aides		1,381,279	-	1,381,279	1,408,714	-	1,408,714
Total classified salaries		1,381,279	-	1,381,279	18,993,144	-	18,993,144
Employee benefits	3000	9,819,608	-	9,819,608	20,618,956	-	20,618,956
Supplies and materials	4000	-	-	-	1,266,111	-	1,266,111
Other operating expenses	5000	-	-	-	7,348,515	-	7,348,515
Equipment replacement	6420	-	-	-	-	-	-
Total expenditures prior to exclusions		$ 41,525,950	$ -	$ 41,525,950	$ 84,246,993	$ -	$ 84,246,993

(Continued)

YOSEMITE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
(Continued)
For the Year Ended June 30, 2015

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
Exclusions	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	$ -	$ -	$ -	$ -	$ -	$ -
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	87,694	-	87,694
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	988,290	-	988,290
Objects to exclude:							
Rents and leases	5060	-	-	-	119,159	-	119,159
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	-	-	-	2,248,199	-	2,248,199
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Equipment:							
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	-	-	-
Total capital outlay		-	-	-	-	-	-
Other outgo	7000	-	-	-	-	-	-
Total exclusions		-	-	-	3,443,342	-	3,443,342
Total for ECS 84362, 50% Law		$ 41,525,950	$ -	$ 41,525,950	$ 80,803,651	$ -	$ 80,803,651
Percent of CEE (instructional salary cost /Total CEE)		51.39 %	-	51.39 %	100.00%	-	100.00%
50% of current expense of education		-	-	-	$ 40,401,826	-	$ 40,401,826

See accompanying note to supplementary information.

YOSEMITE COMMUNITY COLLEGE DISTRICT

PROP 30 EPA EXPENDITURE REPORT

For the Year Ended June 30, 2015

EPA Proceeds: $ 15,351,518

Activity Classification	Activity Code (0100-5900)	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	$ -	$ 15,351,518	$ -	$ -	$ 15,351,518

See accompanying note to supplementary information.

YOSEMITE COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Expenditure of Federal Awards

The accompanying Schedule of Expenditure of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133.

B - Schedule of State Financial Awards

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

C - Schedule of Workload Measures for State General Apportionment

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

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

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

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

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

F - Prop 30 EPA Expenditure Report

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

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.

Crowe Horwath LLP
Independent Member Crowe Horwath International

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, 2015:

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
Intersession Extension Program
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.

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.

Opinion with State Laws and Regulations

In our opinion, Yosemite Community College District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2015. 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.

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 23, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise Yosemite Community College District's basic financial statements, and have issued our report thereon dated November 23, 2015.

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 2015-001, 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 to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. Yosemite Community College District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 23, 2015

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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, 2015. 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, 2015.

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

Crowe Horwath LLP

Sacramento, California
November 23, 2015

FINDINGS AND RECOMMENDATIONS

YOSEMITE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

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, and 93.364	Student Financial Aid Cluster
84.048	Career & Technical Education 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:	Unmodified

SECTION II - FINANCIAL STATEMENT FINDINGS

2015-001 SIGNIFICANT DEFICIENCY - INFORMATION SYSTEMS

Criteria

Internal Controls - Information Systems

Condition

The District's controls over the program change process were not operating effectively. During the year ended June 30, 2015, the District formally documented change process controls in it's procedures manual. However, there were instances where the documented controls were not being followed. District personnel do not document the design of the testing, testing results, or approvals over system patches or other program changes to source code.

Effect

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 are not operating effectively.

Fiscal Impact

Not determinable.

Recommendation

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

Corrective Action Plan

The District will continue to train IT personnel regarding procedures that must be followed in order to ensure compliance with the procedures, the Applications Development team will no longer have access to add code to the production server. All code changes must be initiated, reviewed and staged by the Applications Development team and the Operations team will be responsible for placing the code into production. The code will only be placed into production once all appropriate documentation has been verified.

YOSEMITE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
2014-001 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 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.	Partially implemented	See current year finding 2015-001.

(Continued)

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
2014-001 (Continued) 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.		
2014-002 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. The District should develop a formal procedure and implement controls to ensure records are properly updated and maintained.	Implemented	