

**YOSEMITE COMMUNITY
COLLEGE DISTRICT**

Modesto, California

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

June 30, 2011

TABLE OF CONTENTS

June 30, 2011

Yosemite Community College District

	Page Number
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplemental Information)	5
FINANCIAL SECTION	
Statement of Net Assets	18
Statement of Revenues, Expenses, and Changes in Net Assets	19
Statement of Cash Flows	20
Notes to the Financial Statements	22
SUPPLEMENTARY INFORMATION SECTION	
Organization Structure	40
Schedule of Workload Measures for State General Apportionment Annual Attendance	41
Schedule of Expenditures of Federal Awards	42
Schedule of Expenditures of State Awards	43
Reconciliation of Annual Financial and Budget Report (Form CCFS-311) With Audited Financial Statements	44
Note to the Supplementary Information	45
OTHER REPORTS SECTION	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	47
Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	49
Independent Auditors' Report on State Compliance	51

TABLE OF CONTENTS

June 30, 2011

Yosemite Community College District

	Page Number
SCHEDULE OF FINDINGS AND QUESTIONED COSTS SECTION	
Schedule of Findings and Questioned Costs	54
Corrective Action Plan	60
Summary Schedule of Prior Audit Findings	61

INDEPENDENT AUDITORS' REPORT



matson and isom

Founded in 1962 by
Robert M. Matson and
W. Howard Isom

Chico

3013 Ceres Avenue
Chico, CA 95973
Phone (530) 891-6474
Fax (530) 893-6689

Redding

292 Hemsted Drive, Suite 100
Redding, CA 96002
Phone (530) 244-4980
Fax (530) 244-4983

Colusa

108 Seventh Street
Colusa, CA 95932
Phone (530) 458-8236
Fax (530) 458-2938

Yuba City

1190 Civic Center Blvd.
Yuba City, CA 95993
Phone (530) 671-1550
Fax (530) 671-3517

www.matson-isom.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Yosemite Community College District (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the District as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITORS' REPORT

Continued

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The accompanying financial information listed as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Matson and Isom

November 11, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplemental Information)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

Yosemite Community College District

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the Yosemite Community College District (the District) for the year ended June 30, 2011. 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 and 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 assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. The information provided on the statements in the Management's Discussion and Analysis (MDA) includes all funds, including general obligation bond funds and student associations, but excludes the Modesto Junior College Foundation, Columbia College Foundation, and the Great Valley Museum Foundation. Each statement will be discussed separately. Financial statements for the College Foundations are issued separately and can be obtained from the respective organizations.

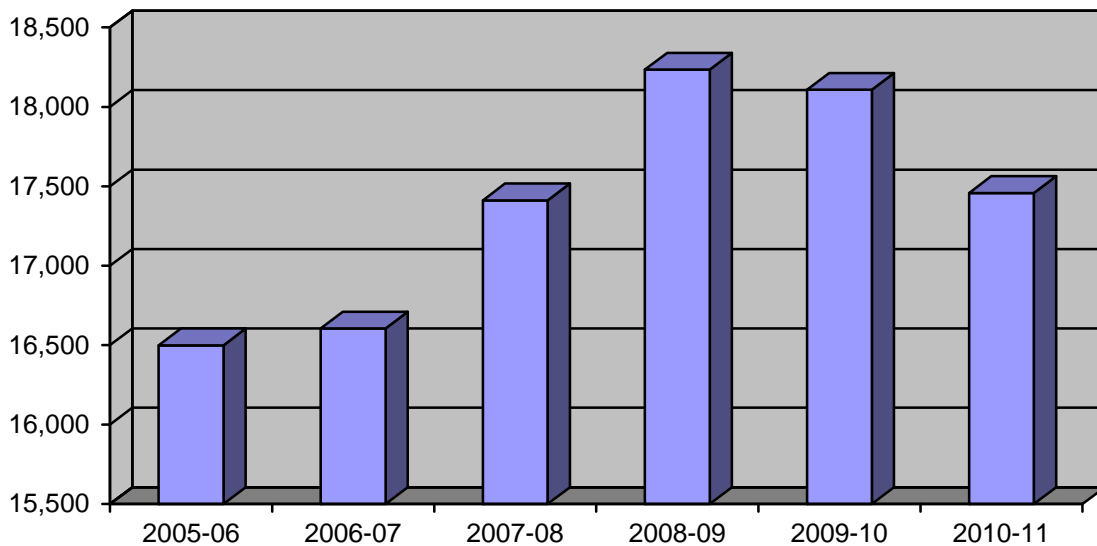
The following MDA provides an overview of the District's financial activities.

June 30, 2011

ATTENDANCE AND FINANCIAL HIGHLIGHTS

Due to a reduction in state apportionment funding for full-time equivalent students (FTES), the District served 3.7% fewer FTES in 2010-11 than the prior year. The District actually served 17,458 FTES and the State funded the District for only 17,286 FTES, leaving 172 FTES unfunded. The bar chart below shows actual FTES served.

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



The 2010-11 Budget Act provided 2.4% growth revenue over the prior-year workload decline adjusted by a deficit factor of 0.5% resulting in an increase to state apportionment of \$1.6 million for the District. The 2010-11 Budget Act provided for no cost-of-living adjustment (COLA) for the third year in a row.

GENERAL FUND RESERVE

The District has a designated reserve in the General Fund of \$8.6 million or the equivalent of 8.7% of the General Unrestricted Expenditure Budget for 2011-12. The District also has set aside a contingency in the General Fund Balance to address possible midyear cuts to state apportionment in 2011-12 in the amount of \$1.2 million. Additionally, \$2 million is held in reserve for excess vacation accrued by employees as of June 30, 2011.

ECONOMIC FACTORS AFFECTING THE FUTURE

The historic 100-day late 2010-11 budget was followed by another historic event, the 2011-12 budget was signed on time by the statutory deadline. The 2011-12 District's General Fund budget projects a 6.4% decline in apportionment revenue and a 6.4% reduction to funded FTES per the Governor's adopted 2011-12 state budget.

The state budget anticipates scenarios for potential midyear cuts to the system of \$30 million and \$72 million if certain statewide revenue estimates are not met. The District has established a contingency in the amount of \$1.2 million to address additional revenue cuts should statewide revenue not materialize as estimated.

The District's FTES target for 2011-12 is 16,391.

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, 2011, was \$17,582,705. 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 study for 2009-10 was \$3,573,381. When taking into account interest and amortization adjustments, the beginning obligation, and the District contribution in 2010-11 of \$2,274,724, which includes the ARC, the net annual OPEB obligation (deferred charge) at June 30, 2011, is positive \$272,826. The positive balance will be recognized in the 2011-12 year ARC calculation. The OPEB trust will be fully funded in 2028.

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

GENERAL OBLIGATION BOND – MEASURE E

In November 2004, voters in the District approved Measure E, the \$326 million general obligation bond for the repair, upgrade, and new construction of Modesto Junior College and Columbia College facilities and the expansion of college education centers in Patterson, Oakdale, Turlock, and Angels Camp, California. The sale of the first of the three bond issues in the amount of \$94 million was made in May 2005; the second sale in the amount of \$150 million took place in April 2008; and the third and final bond issue was sold in June of 2010 in the amount of \$82 million. Thirteen of the 29 college projects are in use. Completed and in use college projects are: MJC auditorium, MJC Ag-modular living units, MJC Ag-animal facilities renovation, MJC loop road/infrastructure (Increment I), MJC parking structure/lot, MJC softball complex, Columbia College (CC) bus service loop/Disabled parking lot, CC child development center, CC Madrone building modernization, CC Public Safety Center, CC secondary access road, Central Services (CS) Ag trailers, and CS Capital Outlay Debt Service.

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

Yosemite Community College District

June 30, 2011

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 Board approved revised Measure E budgets for both Modesto Junior College and Columbia College in the spring of 2011. The 2010-11 year was an extraordinary year of construction and development for the District's Measure E projects.

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2011

Yosemite Community College District

STATEMENTS OF NET ASSETS

The statements of net assets 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 assets, the difference between assets and liabilities, are an indicator of the financial health of a district.

	2011	2010	Change
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 19,762,348	\$ 16,245,633	22%
Receivables	21,148,792	17,629,626	20%
Inventory, prepaid, and other assets	1,139,071	1,270,524	-10%
Total Current Assets	42,050,211	35,145,783	20%
NONCURRENT ASSETS			
Restricted cash and cash equivalents	204,076,108	264,161,380	-23%
Long-term investments	3,841,484	3,895,193	-1%
Loans to students	157,500	152,340	3%
Deferred charges	4,966,062	5,197,159	-4%
Net other postemployment benefits (OPEB) deferred charges	272,844	123,120	100%
Capital assets - net	225,515,377	163,650,962	38%
Total Noncurrent Assets	438,829,375	437,180,154	0%
Total Assets	\$ 480,879,586	\$ 472,325,937	2%
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 13,805,690	\$ 10,121,846	36%
Deferred revenue	11,070,959	12,036,439	-8%
Other current liabilities	9,225,092	7,391,065	25%
Total Current Liabilities	34,101,741	29,549,350	15%
NONCURRENT LIABILITIES			
Long-term liabilities - noncurrent portion	329,359,248	324,647,564	1%
Total Liabilities	363,460,989	354,196,914	3%
NET ASSETS			
Invested in capital assets - net of related debt	87,316,854	93,696,980	-7%
Restricted	18,121,132	17,663,311	3%
Unrestricted:			
Reserve for noncash assets	50,147	228,693	-78%
Contractual obligations	231,402	445,018	-48%
General reserve	8,500,000	6,000,000	42%
Contingency reserve and other designations	3,199,062	95,021	3267%
Total Unrestricted	11,980,611	6,768,732	77%
Total Net Assets	117,418,597	118,129,023	-1%
Total Liabilities and Net Assets	\$ 480,879,586	\$ 472,325,937	2%

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

Yosemite Community College District

June 30, 2011

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 \$32 million was added to net capital assets as a result of construction in progress in the Capital Outlay Projects and General Obligation Bond Funds. The footnotes to the financial statements contain a breakdown of the net capital assets.

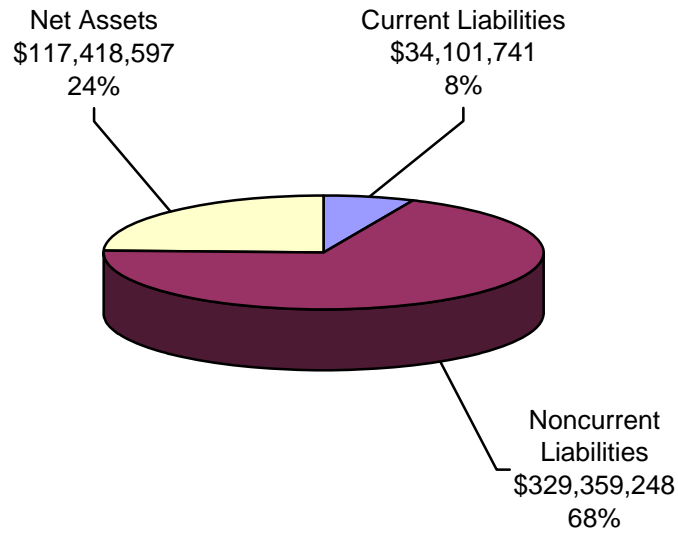
Accounts payable and accrued liabilities consist mainly of accrued payroll and payables due to vendors.

Deferred revenue relates to federal, state, and local program funds received but not yet earned as of the end of the fiscal year. Most grant funds are earned when expended (up to the grant amount awarded). Also included are deferred enrollment fees for the 2011-12 fiscal year.

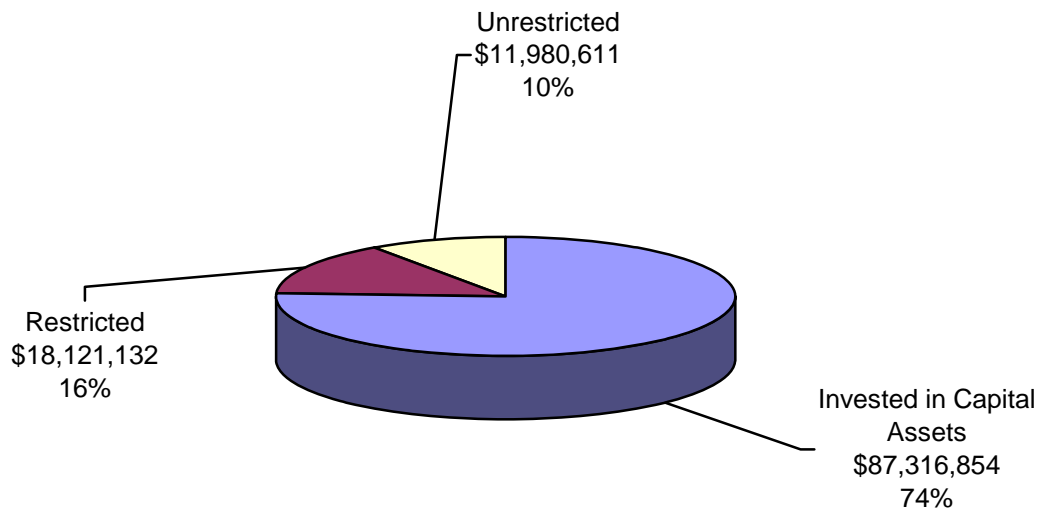
Other current liabilities include the amounts held in trust for others. Long-term liabilities (noncurrent portion) are long-term debt to be paid in one year or later. Compensated absences payable of \$3,984,033, and the general obligation bonds of \$307,578,990 are the major components of the noncurrent portion.

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

Total Liabilities and Net Assets



Net Assets



**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2011

Yosemite Community College District

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

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

	<u>2011</u>	<u>2010</u>	<u>Change</u>
REVENUES			
Operating revenues:			
Net tuition and fees	\$ 7,351,672	\$ 8,276,681	-11%
Grants, contracts, and other designated revenues - noncapital	19,393,539	20,980,626	-8%
Auxiliary enterprise - net	5,672,934	6,366,377	-11%
Other operating income	1,749,159	1,765,672	-1%
Total Operating Revenue	<u>34,167,304</u>	<u>37,389,356</u>	-9%
Total Operating Expenses	<u>120,470,612</u>	<u>125,677,974</u>	-4%
Operating Loss	<u>(86,303,308)</u>	<u>(88,288,618)</u>	2%
Nonoperating revenues (expenses):			
State apportionments - noncapital	52,433,586	49,416,664	6%
Local property taxes	29,266,099	30,663,419	-5%
Lottery and other revenue	3,694,852	2,809,010	32%
Investment income	116,673	256,551	-55%
Other nonoperating revenues (expenses) - net	826,719	765,908	8%
Total Nonoperating Revenues (Expenses)	<u>86,337,929</u>	<u>83,911,552</u>	3%
Income before other revenues, expenses, gains, or losses	34,621	(4,377,066)	101%
Apportionment and property taxes - capital	13,454,996	11,264,803	19%
Investment income - capital	2,233,989	2,627,178	-15%
Interest expense - capital	(16,434,032)	(11,270,289)	-46%
Grants and gifts - capital	-	60,000	-100%
Decrease in Net Assets	<u>(710,426)</u>	<u>(1,695,374)</u>	58%
Net Assets - Beginning of Year			
As Previously Reported	<u>118,129,023</u>	<u>119,824,397</u>	-1%
Net Assets - End of Year	<u>\$ 117,418,597</u>	<u>\$ 118,129,023</u>	-1%

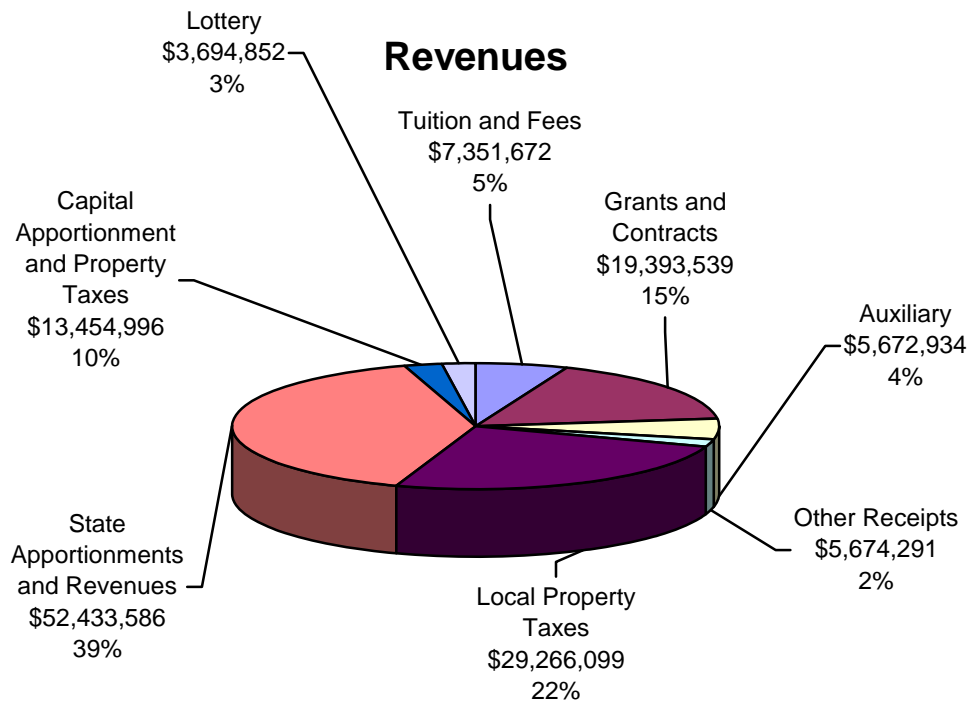
REVENUES

Net tuition and fees consist of enrollment fees of \$3,891,107; nonresident tuition of \$412,745; and all other fees of \$3,047,820. Regular enrollment fees are set by the state for all community colleges and were \$26 per unit. Regular enrollment fees are included in the calculation of general apportionment. Auxiliary enterprise, net, is primarily bookstore sales less allowances.

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

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

Lottery and other revenues consist primarily of unrestricted state lottery revenue of \$2,174,205.



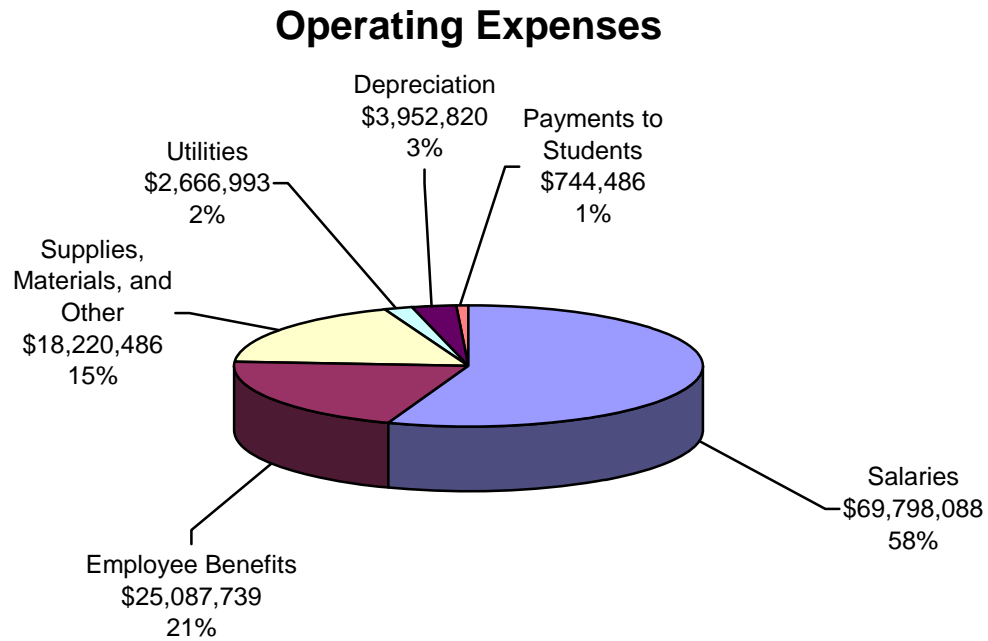
**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2011

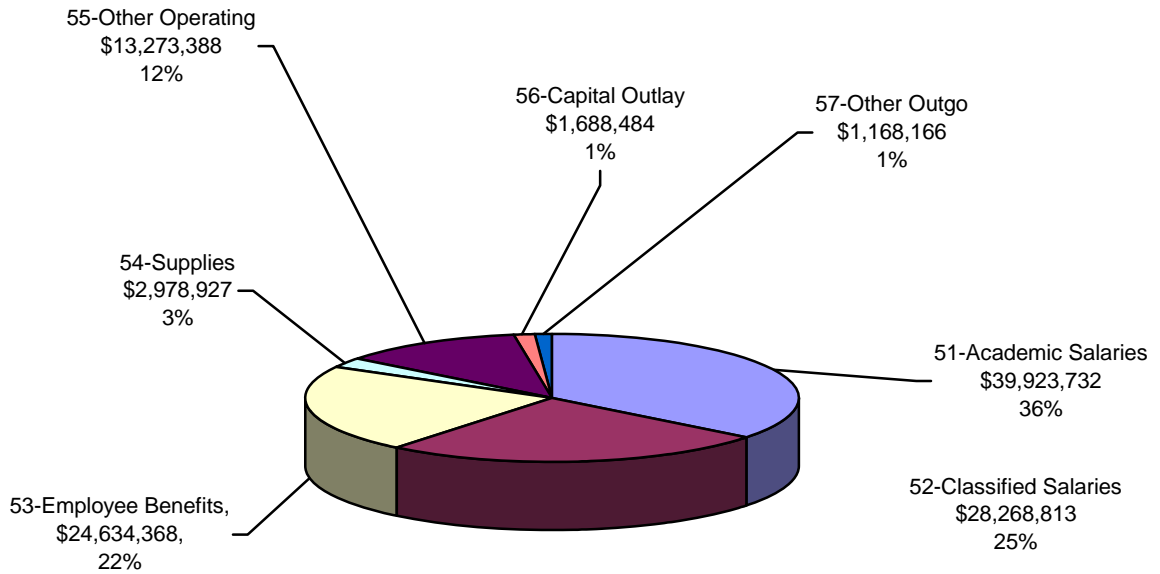
Yosemite Community College District

OPERATING EXPENSES (BY NATURAL CLASSIFICATION – ALL FUNDS)

	2011	2010	Change
Salaries	\$ 69,798,088	\$ 69,813,209	0%
Employee benefits	25,087,739	25,759,972	-3%
Supplies, materials, other operating expenses, and services	18,220,486	22,783,476	-20%
Utilities	2,666,993	2,528,296	5%
Depreciation	3,952,820	3,909,163	1%
Payments to students	744,486	883,858	-16%
Total Operating Expenses	\$ 120,470,612	\$ 125,677,974	-4%



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



Total = \$111,935,878

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2011

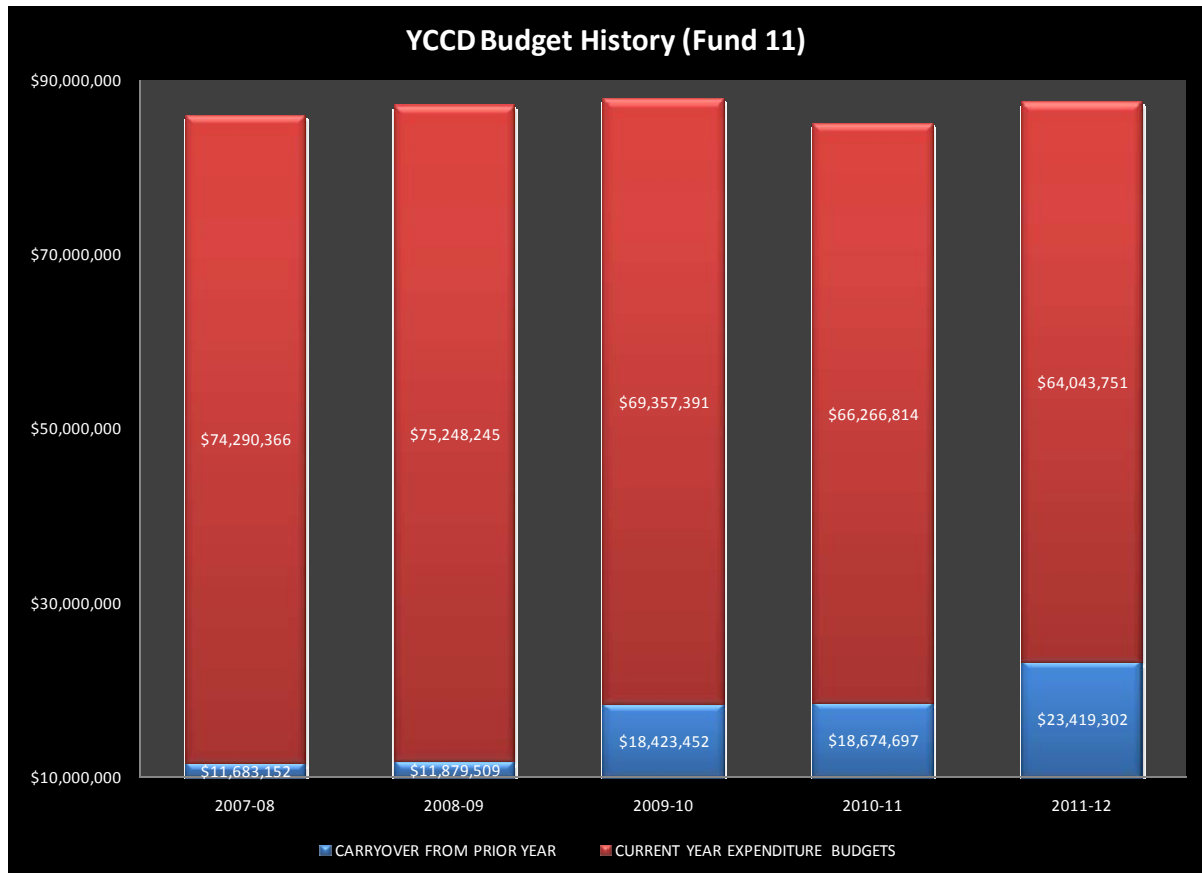
Yosemite Community College District

STATEMENTS OF CASH FLOWS

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

	2011	2010
Cash provided (used) by:		
Operating activities	\$ (78,801,621)	\$ (82,205,365)
Noncapital financing activities	82,452,685	82,628,774
Capital and related financing activities	(60,620,528)	52,326,572
Investment activities	400,907	208,208
Net Increase (Decrease) in Cash	(56,568,557)	52,958,189
Cash - Beginning of the Fiscal Year	280,407,013	227,448,824
Cash - End of the Fiscal Year	\$ 223,838,456	\$ 280,407,013

HISTORICAL GENERAL FUND UNRESTRICTED EXPENDITURES



FINANCIAL SECTION

STATEMENT OF NET ASSETS

Yosemite Community College District

June 30, 2011	Primary Institution	Foundations
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 19,762,348	\$ 645,802
Accounts receivable - net	21,148,792	136,710
Inventory	1,052,600	9,076
Prepaid expenses	86,471	2,437
Total Current Assets	42,050,211	794,025
NONCURRENT ASSETS		
Restricted cash and cash equivalents	204,076,108	47,743
Long-term investments	3,841,484	7,689,470
Loans to students	157,500	-
Other assets	-	169,487
Deferred charges	4,966,062	-
Net other postemployment benefits deferred charges	272,844	-
Capital assets - net	225,515,377	-
Total Noncurrent Assets	438,829,375	7,906,700
Total Assets	\$ 480,879,586	\$ 8,700,725
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 11,271,902	\$ 109,916
Accrued salaries and related benefits	2,533,788	-
Deferred revenue	11,070,959	10,300
Other accrued liabilities	3,976,302	-
Amounts held in trust for others	2,565,951	229,320
Current portion of long-term liabilities	2,682,839	-
Total Current Liabilities	34,101,741	349,536
NONCURRENT LIABILITIES		
Long-term liabilities	329,359,248	-
Total Liabilities	363,460,989	349,536
NET ASSETS		
Invested in capital assets - net of related debt	87,316,854	-
Restricted:		
Nonexpendable	-	6,638,196
Expendable	18,121,132	1,375,253
Unrestricted	11,980,611	337,740
Total Net Assets	117,418,597	8,351,189
Total Liabilities and Net Assets	\$ 480,879,586	\$ 8,700,725

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

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

Yosemite Community College District

Year Ended June 30, 2011	Primary Institution	Foundations
OPERATING REVENUES		
Tuition and fees (gross)	\$ 14,261,140	\$ -
Scholarship discounts and allowances	(6,909,468)	-
Net Tuition and Fees	7,351,672	-
Grants and contracts - noncapital:		
Federal	9,891,239	-
State	7,772,297	-
Local	1,730,003	-
Other operating receipts	1,749,159	-
Auxiliary enterprise sales and charges	5,672,934	-
Total Operating Revenues	34,167,304	-
OPERATING EXPENSES		
Salaries	69,798,088	135,760
Employee benefits	25,087,739	25,736
Supplies, materials, and other operating expenses and services	18,220,486	314,748
Utilities	2,666,993	-
Depreciation	3,952,820	-
Payments to students	744,486	189,697
Total Operating Expenses	120,470,612	665,941
Operating Loss	(86,303,308)	(665,941)
NONOPERATING REVENUES (EXPENSES)		
State apportionments - noncapital	52,433,586	-
Local property taxes - noncapital	29,266,099	-
State taxes and other revenues - noncapital	3,694,852	-
Investment income - noncapital	347,770	1,216,450
Amortization expense	(231,097)	-
Financial aid revenues - federal	30,379,257	-
Financial aid revenues - state	1,926,122	-
Financial aid expenses	(32,822,033)	-
Other nonoperating revenues - grants/gifts - noncapital	1,343,373	628,036
Total Nonoperating Revenues (Expenses)	86,337,929	1,844,486
Income Before Other Revenues, Expenses, Gains, or Losses	34,621	1,178,545
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES		
Local property taxes and revenues - capital	13,454,996	-
Investment income - capital	2,233,989	-
Interest expense - capital	(16,434,032)	-
Total Other Revenues, Expenses, Gains, or Losses	(745,047)	-
Increase (Decrease) in Net Assets	(710,426)	1,178,545
Net Assets - Beginning of Year	118,129,023	7,172,644
Net Assets - End of Year	\$ 117,418,597	\$ 8,351,189

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

STATEMENT OF CASH FLOWS

Year Ended June 30, 2011	Institution	Foundations
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 6,587,915	\$ -
Federal grants and contracts	10,598,667	-
State grants and contracts	8,135,972	-
Local grants and contracts	1,085,889	-
Payments to suppliers	(17,225,486)	(353,512)
Payments to/on behalf of employees	(94,446,402)	(161,497)
Payments to/on behalf of students	(749,646)	(189,697)
Auxiliary enterprise sales and charges	5,607,760	-
Other receipts	1,603,710	(24,000)
Net Cash Used by Operating Activities	(78,801,621)	(728,706)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionment and receipts	49,260,419	-
Property taxes	29,274,583	-
State taxes and other revenues	2,922,852	-
Financial aid, scholarship, loan trust receipts - federal	30,379,257	-
Financial aid, scholarship, loan trust receipts - state	1,926,122	-
Financial aid, scholarship, loan trust disbursements	(32,822,033)	-
Student organization agency receipts	168,112	28,205
Other receipts	1,343,373	495,198
Net Cash Provided by Noncapital Financing Activities	82,452,685	523,403
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	7,855,419	-
Purchases of capital assets	(65,817,235)	-
Principal paid on capital debt	(1,080,000)	-
Interest paid on capital debt	(17,267,697)	-
Interest on capital investments	2,233,989	-
Local property taxes and other revenues for capital	13,454,996	-
Net Cash Used by Capital and Related Financing Activities	(60,620,528)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	613,872
Interest and dividends from investments	400,907	(1,255,180)
Proceeds from the sale of investments	-	2,499
Net Cash Provided (Used) by Investing Activities	400,907	(638,809)
Net Decrease in Cash and Cash Equivalents	(56,568,557)	(844,112)
Cash and Cash Equivalents Balance - Beginning of Year	280,407,013	1,537,657
Cash and Cash Equivalents Balance - End Year	\$ 223,838,456	\$ 693,545

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

STATEMENT OF CASH FLOWS

Year Ended June 30, 2011	Primary Institution	Foundations
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (86,303,308)	\$ (665,941)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	3,952,820	-
Changes in assets and liabilities:		
Accounts receivable - net	172,244	-
Inventory	(106,838)	979
Prepaid expenses	238,291	6,022
Loans to students	(5,160)	-
Other assets	-	(24,000)
Other postemployment benefits (OPEB)	(149,724)	-
Accounts payable	3,530,540	(45,766)
Accrued salaries and related benefits	153,304	-
Deferred revenue	(719,635)	-
Compensated absences	435,845	-
Net Cash Used by Operating Activities	\$ (78,801,621)	\$ (728,706)

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

1. ORGANIZATION AND NATURE OF ACTIVITIES

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

June 30, 2011

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

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

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

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Stanislaus County Treasury as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes, or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and includes accrued interest. The pool has deposits and investments with a weighted-average maturity of less than five years. As of June 30, 2011, the fair value of the County pool is 100.90% of the carrying value and is deemed to represent a material difference. Derivatives are prohibited within the county investment pool. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains and losses is independent of the calculation of the net increase or decrease in the fair value of restricted cash and cash equivalents. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in fair value of restricted cash and cash equivalents during the year ended June 30, 2011, was \$1,657,431. This amount takes into account all changes in fair value, including purchases and sales that occurred during the year.

Accounts Receivable Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in California. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District utilizes the allowance method with respect to its accounts receivable. The allowance was \$564,261, at June 30, 2011.

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

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

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

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

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

Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 50 years for buildings, 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 non-depreciable capital assets; therefore, no depreciation is computed.

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

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

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

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

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

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

Restricted net assets - nonexpendable consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be expended or added to principal depending on donor stipulations.

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

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

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

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

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

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

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

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

June 30, 2011

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

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

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

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

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

Secured property taxes are recorded as revenue when apportioned in the fiscal year of the levy. The counties apportion secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the *California Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes based upon historical collection percentages of 55% in December, 40% in April, and a true up of the balance of the adjusted Secured Tax Roll in June.

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

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2011:

	Fair Value	
	Primary Institution	Foundations
PETTY CASH/CASH AWAITING DEPOSIT	\$ 70,653	\$ 458
DEPOSITS (1)	4,761,369	362,483
INVESTMENTS THAT ARE NOT SECURITIES (2)		
County treasurer's investment pool	219,006,435	-
Certificates of deposit	2,440,878	219,009
Money market mutual funds	569,935	330,601
Subtotal	222,017,248	549,610
INVESTMENT SECURITIES		
U.S. treasury securities	394,748	-
U.S. government agency securities:		
Federal National Mortgage Association	-	487,916
Corporate bonds	81,595	1,511,331
Bond mutual funds	52,524	707,759
Equity mutual funds	192,124	495,692
Equity securities	109,679	4,267,766
Subtotal	830,670	7,470,464
Total Cash and Cash Equivalents and Investments	\$ 227,679,940	\$ 8,383,015

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

Custodial Credit Risk – Deposits

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the District’s deposits may not be returned. The District and the Foundations do not have a deposit policy for custodial credit risk. As of June 30, 2011, the District’s and the Foundations’ bank balances were exposed to custodial credit risk as follows:

	Primary Institution
Uninsured and uncollateralized	\$ -
Uninsured and collateral held by pledging bank's trust department not in the District's name	4,192,443
Total	\$ 4,192,443

Primary Institution - Credit Risk – Investments

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

Investment Type	Fair Value	S & P's Rating as of Year End					
		AAA	AA	A+	A	BBB-	Unrated
County treasurer's investment pool	\$ 219,006,435	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219,006,435
U.S. treasury securities	394,748	394,748	-	-	-	-	-
Corporate bonds	81,595	-	-	15,804	56,824	8,967	-
Money market mutual funds	569,935	-	-	-	-	-	569,935
Bond mutual funds	52,524	43,828	8,696	-	-	-	-
Totals	\$ 220,105,237	\$ 438,576	\$ 8,696	\$ 15,804	\$ 56,824	\$ 8,967	\$ 219,576,370

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Yosemite Community College District

Foundations - Credit Risk – Investments

The Foundations’ investment policy requires that 80% of the market value of common stocks be rated B+ or better, that convertible preferred stocks and bonds must be rated BBB, and that fixed income securities are 90% of the market value and rated BBB, all by Standard & Poor’s or by Moody’s indices. The Foundations’ investments rated by Standard & Poor’s as of June 30, 2011, are as follows:

Investment Type	Fair Value	S & P's Rating as of Year End												
		AAA	AA	AA+	AA-	A	A+	A-	BBB	BBB+	BBB-	B	Not Rated	
U.S. treasury securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. government agency securities:														
Federal National Mortgage Association	487,916	487,916	-	-	-	-	-	-	-	-	-	-	-	-
Corporate bonds	1,511,332	-	110,032	73,152	48,435	323,209	172,034	348,172	265,455	49,986	100,330	4,867	15,660	
Money market mutual funds	330,601	-	-	-	-	-	-	-	-	-	-	-	330,601	
Bond mutual funds	707,759	-	-	-	-	-	-	-	-	-	-	-	707,759	
Totals	\$ 3,037,608	\$ 487,916	\$ 110,032	\$ 73,152	\$ 48,435	\$ 323,209	\$ 172,034	\$ 348,172	\$ 265,455	\$ 49,986	\$ 100,330	\$ 4,867	\$ 1,054,020	

Concentration of Credit Risk – Investments

The portion of investment in each of the permissible investment categories is restricted as defined in the *California Government Code*, Sections 53601 and 53635. The District had no investment greater than 5% of the total investments. The Foundations’ investment policy allows for not more than 30% of the portfolio to be invested in one industry sector, and equity securities shall not exceed 5% of the total securities, with total debt and equity not exceeding 10%. One of the Foundations had three investments greater than 5% of the Foundations’ total investments, which consisted of certificates of deposit of \$219,009 in Modesto Commerce Bank, \$397,487 in U.S. Treasuries, and \$487,916 in the Federal National Mortgage Association.

Primary Institution – Interest Rate Risk – Investments

California Government Code, Section 53601, limits the District’s investments to maturities of five years. District investments generally have a maturity of less than five years. However, investments for amounts held in trust for others have longer maturities due to specific donor requirements. This is allowed according to the District Board Policy 3320. The schedule of maturities at June 30, 2011, is as follows:

Investment Type	Fair Value	Maturity (in Years)		
		Less Than 1	1-5	6-10
County treasurer's investment pool	\$ 219,006,435	\$ 219,006,435	\$ -	\$ -
U.S. treasury securities	394,748	55,887	151,192	187,669
Corporate bonds	81,595	7,111	74,484	-
Bond mutual funds	52,524	-	52,524	-
Totals	\$ 219,535,302	\$ 219,069,433	\$ 278,200	\$ 187,669

Foundations – Interest Rate Risk – Investments

The Foundations’ investment policy limits fixed income securities to an average duration of six years or less. The schedule of maturities at June 30, 2011, is as follows:

Investment Type	Fair Value	Maturity (in Years)		
		Less Than 1	1-5	6-10
Federal National Mortgage Association	\$ 487,916	\$ -	\$ 487,916	\$ -
Corporate bonds	1,511,331	-	721,770	789,561
Bond mutual funds	707,759	-	559,425	148,334
Certificates of deposit	219,009	219,009	-	-
Totals	\$ 2,926,015	\$ 219,009	\$ 1,769,111	\$ 937,895

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2011:

Federal grants and contracts	\$ 2,633,344
State grants and contracts	1,183,250
Local grants and contracts	786,078
State lottery and other revenues	800,000
State apportionment - noncapital	13,001,659
Tuition and fees	2,014,341
Auxiliary	361,754
Interest receivable	11,309
Miscellaneous	357,057
Total	\$ 21,148,792

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, is as follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
NONDEPRECIATED CAPITAL ASSETS				
Construction in progress	\$ 65,206,038	\$ 65,321,396	\$ 3,907,824	\$126,619,610
Land	6,243,476	-	-	6,243,476
DEPRECIATED CAPITAL ASSETS				
Site improvements	1,853,384	-	-	1,853,384
Buildings and improvements	114,478,427	3,369,711	-	117,849,890
Equipment	21,825,628	1,079,313	284,968	22,619,973
Total Capital Assets	209,606,953	69,770,420	4,192,792	275,186,333
Less: Accumulated depreciation	45,955,991	3,952,820	237,855	49,670,956
Total Capital Assets - Net	\$163,650,962	\$ 65,817,600	\$ 3,954,937	\$225,515,377

6. LONG-TERM LIABILITIES

The long-term liability activity for the year ended June 30, 2011, is as follows:

	Beginning Balance	Additions	Payments and Reductions	Ending Balance	Current Portion
Compensated absences	\$ 3,548,188	\$ 435,845	\$ -	\$ 3,984,033	\$ -
General obligation bonds	309,918,990	-	1,080,000	308,838,990	2,682,839
Unamortized bond premiums	8,193,172	-	896,741	7,296,431	-
Accreted interest	4,067,214	7,855,419	-	11,922,633	-
Total	\$ 325,727,564	\$ 8,291,264	\$ 1,976,741	\$ 332,042,087	\$ 2,682,839

7. BONDED DEBT

The outstanding general obligation bonded debt is as follows:

2005 Series A general obligation bond, due in annual installments of \$905,000 to \$23,680,000 beginning August 1, 2006, through August 1, 2029, at interest ranging from 3.00% to 5.00%.	\$ 77,110,000
2008 Series C general obligation bond, due in annual installments of \$1,422,839 to \$30,685,000 beginning August 1, 2011, through August 1, 2032, at interest ranging from 5.00% to 6.05%.	150,000,000
2010 Series D general obligation bond, due in annual installments of \$60,000 to \$11,632,383 beginning August 1, 2012, through August 1, 2042, at interest ranging from 2.00% to 7.06%.	81,728,990
Total	\$ 308,838,990

The amount of interest cost incurred during the year ended June 30, 2011, was \$16,434,032, all of which was charged to expenses. The annual requirements to amortize the general obligation bonds payable is as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 2,682,839	\$ 9,408,513	\$ 12,091,352
2013	3,297,976	9,344,617	12,642,593
2014	3,611,196	9,259,900	12,871,096
2015	4,082,430	9,161,938	13,244,368
2016	4,553,498	9,049,692	13,603,190
2017-2021	29,950,991	43,024,377	72,975,368
2022-2026	42,906,070	37,708,097	80,614,167
2027-2031	109,290,000	42,050,395	151,340,395
2032-2036	52,210,438	123,965,904	176,176,342
2037-2041	34,230,276	184,817,893	219,048,169
2042-2043	22,023,276	46,077,243	68,100,519
Totals	\$ 308,838,990	\$ 523,868,569	\$ 832,707,559

8. OPERATING LEASES

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

Year Ending June 30	Lease Payments
2012	\$ 462,882
2013	325,884
2014	28,994
Total	\$ 817,760

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment. Rent expenditures were \$568,743 for the year ended June 30, 2011.

9. EMPLOYEE RETIREMENT SYSTEMS

California State Teachers' Retirement System

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.00% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Board. The required employer contribution rate for fiscal year 2010-11 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$2,242,863, \$2,837,000, and \$2,971,967, respectively, and equaled 100% of the required contributions for each year.

June 30, 2011

Other Information

Under CalSTRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit, which may be paid on either a current or deferred basis. The District has no obligations to CalSTRS for early retirement incentives granted to terminated employees at June 30, 2011.

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

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

Funding Policy

Active plan members are required to contribute 7.00% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010-11 was 10.707% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$2,229,972, \$2,698,724, and \$2,487,496, respectively, and equaled 100% of the required contribution for each year.

Accumulation Program for Part-Time and Limited-Service Employees

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

June 30, 2011

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District equaling approximately 3.522% of the covered members' gross salaries. The contribution for the years ended June 30, 2011, 2010, and 2009, are estimated to have been \$957,499, \$1,211,141, and \$1,268,760, respectively. A contribution to CalPERS was not required for the years ended June 30, 2011, 2010, and 2009. The payment amounts have not been reported in the basic financial statements as management believes they are immaterial to the financial statements taken as a whole.

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

In addition to the pension benefits described above, the District provides postemployment health care benefits to employees who retire from the District based on the rule of 70. The rule of 70 is any combination of the retiree's minimum age of 50 and years of regular District service equal to 70 or more. The District covers the retiree and all eligible dependents until the employee reaches age 65. Employees hired prior to July 1, 2004, receive District paid healthcare benefits to the retiree's age of 70. At June 30, 2011, the District has 269 retirees receiving benefits and has a total of 815 active participants.

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

Funding Policy

The District's agreement with retired employees is for monthly contributions for members who meet the eligibility criteria of their collective agreement and who retire during the term of the contract. The contribution requirements of the District and plan members are established and may be amended by the District through the collective bargaining process.

Annual OPEB Cost and Net Other Postemployment Benefit Obligation

For fiscal year 2011, the District's OPEB cost for the Trust was \$2,125,000. The District's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB deferred charge for the year ended June 30, 2011, were as follows:

Annual required contribution	\$ 2,126,581
Interest on net OPEB obligation	(8,617)
Adjustment to annual required contribution	7,036
Annual OPEB Cost	2,125,000
Contributions	2,274,724
Change in Net OPEB Obligation (Deferred Charge)	(149,724)
Net OPEB Deferred Charge - Beginning of Year	(123,102)
Net OPEB Deferred Charge - End of Year	\$ (272,826)

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contributions</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB Obligation (Deferred Charge)</u>
June 30, 2009	\$ 3,271,608	\$ 17,561,538	536.79%	\$ 1,218,197
June 30, 2010	\$ 2,232,064	\$ 3,573,381	160.09%	\$ (123,120)
June 30, 2011	\$ 2,125,000	\$ 2,274,724	107.05%	\$ (272,826)

Funded Status and Funding Progress

The funded status of the plan based on an actuarial update using age-adjusted premiums as of December 1, 2009, was as follows:

	<u>December 1, 2009</u>	<u>January 1, 2008</u>
Actuarial accrued liability (AAL)	\$ 27,239,843	\$ 28,784,650
Actuarial value of plan assets	14,892,238	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 12,347,605	\$ 28,784,650
Funded ratio (actuarial value of plan assets/AAL)	54.67%	0.00%
Covered payroll (active members)	\$ 54,571,502	\$ 55,319,108
UAAL as a Percentage of Covered Payroll	22.63%	52.03%

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the District's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of future costs. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

Actuarial Methods and Assumptions

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

The actuarial assumptions included a 7.0% investment rate of return, compounded annually, net of investment expenses, and an annual health care cost trend rate of 4.0%. As a result of the District's retroactive implementation, the initial unfunded actuarial accrued liability (UAAL) was established as of July 1, 1998. The District's unfunded actuarial liability is being amortized over 30 years. The remaining amortization period at June 30, 2011, was 17 years. The actuarial valuation of the Trust assets was set at market value of investments as of the measurement date.

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

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

Construction Project Commitments

The District entered into several construction commitments with a total estimated cost of \$49,687,863 during the fiscal year ended June 30, 2011, and no additional commitments subsequent to year end.

12. JOINT POWERS AGREEMENTS

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

Each JPA is governed by a board consisting of representatives from the members. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the boards.

June 30, 2011

Separately issued financial statements can be requested from each JPA. Condensed audited financial information for each JPA is as follows:

	September 30, 2010	
	VIP	SISC III
Total assets	\$ 24,840,239	\$ 251,295,365
Total liabilities	14,114,823	98,032,970
Net Assets	\$ 10,725,416	\$ 153,262,395
Operating revenues	\$ 5,394,425	\$1,002,486,792
Operating expenses	5,749,068	1,044,275,890
Other income (expenses)	373,552	4,677,630
Net Increase (Decrease) in Net Assets	\$ 18,909	\$ (37,111,468)

13. COMPONENT UNITS

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

	Modesto Junior College Foundation	Columbia College Foundation	Great Valley Museum Foundation	Foundation Totals
Total assets	\$ 7,345,007	\$ 885,751	\$ 469,967	\$ 8,700,725
Total liabilities	282,214	8,679	58,643	349,536
Net Assets	\$ 7,062,793	\$ 877,072	\$ 411,324	\$ 8,351,189
Total revenues	\$ 1,382,711	\$ 283,815	\$ 177,960	\$ 1,844,486
Total expenses	522,131	56,576	87,234	665,941
Change in Net Assets	\$ 860,580	\$ 227,239	\$ 90,726	\$ 1,178,545

14. SUBSEQUENT EVENT

There are no subsequent events to June 30, 2011.

15. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The object of this statement is to establish a framework of detailing: 1) where deferred outflows of resources and deferred inflows of resources, as well as assets and liabilities, should be displayed; and 2) how these elements should be reported. These two objects will result in the standardizing of the presentation of deferred balances and their effects on a government's net position. The provisions of GASB Statement No. 63 are effective for financial statements for period beginning after December 15, 2011. The District has not yet determined the effect this statement will have on its financial statements.

SUPPLEMENTARY INFORMATION SECTION

ORGANIZATION STRUCTURE

June 30, 2011

Yosemite Community College District

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

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

GOVERNING BOARD

Name	Office	Term Expires
Linda Flores	Chair	2012
Mike Riley	Vice Chair	2012
Tom Hallinan	Member	2012
Abe Rojas	Member	2012
Anne DeMartini	Member	2014
Lynn Martin	Member	2014
Don Viss	Member	2014

ADMINISTRATION

Dr. Joan E. Smith
Chancellor

Ms. Teresa Scott
Executive Vice Chancellor

Ms. Diane Wirth
Vice Chancellor, Human Resources

Ms. Gina Rose
Assistant Chancellor, Information Technology

Dr. Karen Walters Dunlap
Acting President, Modesto Junior College

Dr. Richard Jones
Interim President, Columbia College

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

Yosemite Community College District

June 30, 2011

The full-time equivalent resident students (FTES) eligible for 2010-11 state apportionment reported to the State of California as of June 30, 2011, are summarized below:

	Reported Data
SUMMER INTERSESSION (Summer 2010 only)	
Noncredit	47
Credit	1,281
SUMMER INTERSESSION (Summer 2011 - Prior to July 1, 2011)	
Credit	16
PRIMARY TERMS (Exclusive of Summer Intersession)	
Census Procedure Courses	
Weekly Census Contact Hours	14,830
Daily Census Contact Hours	828
Actual Hours of Attendance Procedure Courses	
Noncredit	248
Credit	145
Independent Study/Work Experience	
Weekly Census Contact Hours	59
Daily Census Contact Hours	4
Total FTES	17,458
SUPPLEMENTAL INFORMATION (Subset of Above Information)	
IN-SERVICE TRAINING COURSES (FTES)	30
BASIC SKILLS COURSES AND IMMIGRANT EDUCATION (FTES)	
Noncredit	154
Credit	805
CDCP NONCREDIT FTES	139

See the accompanying note to the supplementary information.

**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

Yosemite Community College District

June 30, 2011	Pass Through/ Grant Number	Federal CFDA Number	Current Year
FEDERAL DIRECT AWARDS			
U.S. DEPARTMENT OF EDUCATION			
Talent Search		84.044	\$ 305,998
Upward Bound		84.047	518,673
Student Support Services		84.042	441,469
Work Study		84.033	426,898
Pell Grant		84.063	29,742,060
Supplemental Educational Opportunity Grant		84.007	490,926
Strengthening Institutions		84.031A	1,058,948
Academic Competitiveness Grants		84.375	143,006
Model Course Material Rental Program		84.116T	52,018
Nursing Student Loans		93.364	3,265
Total Direct U.S. Department of Education			33,183,261
DEPARTMENT OF VETERANS AFFAIRS			
Post - Vietnam Era Veterans' Educational Assistance		64.120	976
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Hispanic - Serving Institution Assisting Communities	HSIAC-10-CA-33	14.514	29,387
NATIONAL SCIENCE FOUNDATION			
Education and Human Resources	E-0850238 / DUE-0902470	47.076	235,632
FEDERAL AWARDS PASSED THROUGH OTHER AGENCIES			
Passed Through Georgetown University			
AGENCY FOR INTERNATIONAL DEVELOPMENT			
CASS		84.XXX	326,726
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education			
Career and Technical Education:			
Block Grant	10-C01-070	84.048	1,302,377
Tech Prep	CN100094	84.048	337,639
Leadership	10-342-001	84.048	158,471
Passed Through Reedley College			
Curriculum Development Improvement		84.048	51,445
Passed Through Chancellor's Office			
IASA - Title - VII Reading Excellence Local Reading		84.338	3,974
ARRA - State Fiscal Stabilization Fund		84.394	50,799
Total U.S. Department of Education			1,904,705
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education			
Forest Reserve		10.670	23,062
Child and Adult Care Food Program	04226-CACFP-50-CC-C5	10.558	70,114
Total U.S. Department of Agriculture			93,176
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Education			
Temporary Assistance for Needy Families		93.558	17,518
Child Care and Development Block Grant	CN100053	93.575	3,725,156
Foster Care	FKCE	93.658	63,241
Head Start	09-CH9047/38	93.600	337,567
ARRA - Head Start	CN100463	93.708	125,021
Medical Assistance Program (Medi-Cal)		93.778	56,152
Total U.S. Department of Health and Human Services			4,324,655
U.S. DEPARTMENT OF LABOR			
Passed Through the County of Stanislaus			
ARRA - WIA Adult Program		17.258	57,269
ARRA - WIA Dislocated Workers		17.260	114,709
Total U.S. Department of Labor			171,978
Total Federal Programs			\$ 40,270,496

See the accompanying note to the supplementary information.

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Yosemite Community College District

June 30, 2011	Program Entitlements			Program Revenues				Program Expenditures
	Current Year	Prior-Year Carryover	Total	Cash Received	Accounts Receivable	Deferred Revenue	Total	
CATEGORICAL APPORTIONMENTS								
Board Financial Assistance Program	\$ 699,560	\$ 92,298	\$ 791,858	\$ 836,098	\$ 9	\$ 71,959	\$ 764,148	\$ 764,148
CalWORKS	454,284	(12,074)	442,210	488,158	60,050	125,850	422,358	422,358
Cooperative Agencies Resources for Education	139,157	-	139,157	139,157	-	23	139,134	139,134
Disabled Student Program and Services	1,670,988	171,922	1,842,910	1,777,580	559	283,982	1,494,157	1,494,157
Economic Development	441,482	5,715	447,197	182,142	162,480	10,338	334,284	334,284
Extended Opportunity Program and Services	923,281	227,449	1,150,730	1,336,346	4,793	220,679	1,120,460	1,120,460
Instructional Equipment	(18,588)	185,051	166,463	185,051	-	172,156	12,895	12,895
Matriculation	587,628	33,523	621,151	615,814	70	40,369	575,515	575,515
Staff Diversity	40,105	31,818	71,923	40,105	-	27,770	12,335	12,335
Staff Development	-	31,456	31,456	31,456	-	29,666	1,790	1,790
Temporary Assistance for Needy Families	223,843	11,090	234,933	171,291	60,387	70,841	160,837	160,837
Subtotal	5,161,740	778,248	5,939,988	5,803,198	288,348	1,053,633	5,037,913	5,037,913
CATEGORICAL PROGRAM ALLOWANCES								
California Articulation Number	-	938	938	2,261	-	1,891	370	370
Career Tech Ed/Center of Excellence	177,446	553,842	731,288	1,038,976	24,348	625,025	438,299	438,299
CCC Live Caption Project	(64,250)	65,380	1,130	65,380	-	65,380	-	-
Child Care Food	4,000	-	4,000	4,923	169	-	5,092	5,092
Child Development Infant/Toddler	803,973	(151,185)	652,788	967,505	416,912	489,581	894,836	894,836
Early Childhood Education Consortium	492,117	23,819	515,936	55,493	270,802	643	325,652	325,652
Foster Care Education	125,772	(22,359)	103,413	70,908	41,898	-	112,806	112,806
Funding Obligation Settlement (SB1133)	-	138,252	138,252	138,252	-	138,252	-	-
Staff Diversity Registry	367,273	(52,565)	314,708	223,718	61,427	-	285,145	285,145
Telecommunications and Tech Infrastructure Programs	(85,821)	120,263	34,442	120,262	7,394	119,528	8,128	8,128
Workforce Investment Act/Basic Skills	(2,522)	473,111	470,589	684,912	1,229	391,587	294,554	294,554
Career Advancement Academy	-	(778)	(778)	-	694	-	694	694
Subtotal	1,817,988	1,148,718	2,966,706	3,372,590	824,873	1,831,887	2,365,576	2,365,576
Total State Programs	\$ 6,979,728	\$ 1,926,966	\$ 8,906,694	\$ 9,175,788	\$ 1,113,221	\$ 2,885,520	\$ 7,403,489	\$ 7,403,489

See the accompanying note to the supplementary information.

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

Yosemite Community College District

June 30, 2011

There were no adjustments or reclassifications necessary to reconcile the Annual Financial and Budget Report (CCFS-311) with the audited statement of net assets and statement of revenues, expenses, and changes in net assets other than those items related to GASB Statements Nos. 34 and 35.

**NOTE TO THE SUPPLEMENTARY
INFORMATION**

Yosemite Community College District

June 30, 2011

PURPOSE OF SCHEDULES

Schedule of Workload Measures for State General Apportionments/Annual Attendance

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

Schedules of Expenditures of Federal and State Awards

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

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

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

OTHER REPORTS SECTION



matson and isom

Founded in 1962 by
Robert M. Matson and
W. Howard Isom

Chico

3013 Ceres Avenue
Chico, CA 95973
Phone (530) 891-6474
Fax (530) 893-6689

Redding

292 Hemsted Drive, Suite 100
Redding, CA 96002
Phone (530) 244-4980
Fax (530) 244-4983

Colusa

108 Seventh Street
Colusa, CA 95932
Phone (530) 458-8236
Fax (530) 458-2938

Yuba City

1190 Civic Center Blvd.
Yuba City, CA 95993
Phone (530) 671-1550
Fax (530) 671-3517

www.matson-isom.com

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

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

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of Yosemite Community College District (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A 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 District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 11-1, 11-2, and 11-3.

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

Continued

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response; and, accordingly, we express no opinion on it.

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

Matson and Isom

November 11, 2011



matson and isom

Founded in 1962 by
Robert M. Matson and
W. Howard Isom

Chico
3013 Ceres Avenue
Chico, CA 95973
Phone (530) 891-6474
Fax (530) 893-6689

Redding
292 Hemsted Drive, Suite 100
Redding, CA 96002
Phone (530) 244-4980
Fax (530) 244-4983

Colusa
108 Seventh Street
Colusa, CA 95932
Phone (530) 458-8236
Fax (530) 458-2938

Yuba City
1190 Civic Center Blvd.
Yuba City, CA 95993
Phone (530) 671-1550
Fax (530) 671-3517

www.matson-isom.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Yosemite Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, which could have a direct and material effect on a major federal program, occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Continued

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.

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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Matson and Isom

November 11, 2011



matson and isom

Founded in 1962 by
Robert M. Matson and
W. Howard Isom

Chico

3013 Ceres Avenue
Chico, CA 95973
Phone (530) 891-6474
Fax (530) 893-6689

Redding

292 Hemsted Drive, Suite 100
Redding, CA 96002
Phone (530) 244-4980
Fax (530) 244-4983

Colusa

108 Seventh Street
Colusa, CA 95932
Phone (530) 458-8236
Fax (530) 458-2938

Yuba City

1190 Civic Center Blvd.
Yuba City, CA 95993
Phone (530) 671-1550
Fax (530) 671-3517

www.matson-isom.com

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

We have audited the Yosemite Community College District's (the District) compliance with the types of state compliance requirements described in the *California Community Colleges Contracted District Audit Manual 2010-11*, published by the California Community Colleges Chancellor's Office, for the year ended June 30, 2011. The applicable state compliance requirements are identified in the table below. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on District's compliance with the state laws and regulations based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and *California Community Colleges Contracted District Audit Manual 2010-11*, published by the California Community Colleges Chancellor's Office. Those standards and the *California Community Colleges Contracted District Audit Manual 2010-11*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination of the District's compliance with those requirements.

SALARIES OF CLASSROOM INSTRUCTORS: 50 PERCENT LAW
 APPORTIONMENT FOR INSTRUCTIONAL SERVICE AGREEMENTS/CONTRACTS
 STATE GENERAL APPORTIONMENT REQUIRED DATA ELEMENTS
 RESIDENCY DETERMINATION FOR CREDIT COURSES
 STUDENTS ACTIVELY ENROLLED
 CONCURRENT ENROLLMENT OF K-12 STUDENTS IN COMMUNITY COLLEGE
 CREDIT COURSES
 GANN LIMIT CALCULATION
 ENROLLMENT FEE
 CALWORKS - USE OF STATE AND FEDERAL TANF FUNDING
 OPEN ENROLLMENT
 STUDENT FEES - INSTRUCTIONAL MATERIALS AND HEALTH FEES
 ECONOMIC AND WORKFORCE DEVELOPMENT (EWD)
 EXTENDED OPPORTUNITY PROGRAMS AND SERVICES (EOPS)
 DISABLED STUDENT PROGRAMS AND SERVICES (DSPS)
 COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE)
 PREFERENCE FOR VETERANS AND QUALIFIED SPOUSES FOR FEDERALLY-
 FUNDED QUALIFIED TRAINING PROGRAMS
 TO BE ARRANGED HOURS (TBA)

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Continued

In our opinion, the District complied, in all material respects, with the state laws and regulations referred to above that are applicable to the District for the year ended June 30, 2011, except as described in the accompanying schedule of findings and questions costs as items 11-1, 11-2, and 11-3.

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

Matson and Isom

November 11, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS SECTION

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

June 30, 2011

Yosemite Community College District

**SECTION I
SUMMARY OF AUDIT RESULTS**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiency identified not considered to be material a weakness?	No
Type of auditors' report issued on compliance for major program	Unqualified
Audit findings disclosed that are required to be reported in accordance with OMB Circular, Section .510(a)?	No
Identification of major programs	
CFDA Nos. 84.007, 84.033, 84.063, 84.375, 93.364	Student Financial Assistance Cluster
Threshold for distinguishing types A and B programs	\$1,208,115
Auditee qualifies as low-risk auditee?	Yes

STATE AWARDS

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

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

June 30, 2011

Yosemite Community College District

**SECTION II FINDINGS
FINANCIAL STATEMENT AUDIT**

None.

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

June 30, 2011

Yosemite Community College District

**SECTION III FINDINGS
FEDERAL AWARDS AUDIT**

None.

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

Yosemite Community College District

June 30, 2011

**SECTION IV FINDINGS
STATE AWARDS AUDIT**

CONCURRENT ENROLLMENT

11-1

Significant Deficiency

Condition

The District did not apply adopted policies and regulations regarding the District providing proper advertisement of a class. If a decision is made to offer a class on a high school campus after the publication of the regular schedule of classes, and the class is solely advertised to the general public through electronic media, the class shall be so advertised for a minimum of 30 continuous days prior to the first meeting of the class. The District also failed to hold the class during a period when the high school campus was open to the general public.

Criteria

California Education Code, Section 76002(a) specifies that for purposes of receiving state apportionments, a community college district may include concurrently enrolled students who attend a community college with the District pursuant to *California Education Code*, Sections 48800 and 76001 in the District's report of full-time equivalent students (FTES).

Effect

Students not receiving proper notification of new classes being offered.

Recommendation

We recommend that the District apply adopted policies or regulations regarding the authority of the District to require the advertisement of a class for a period of at least thirty days if the advertising is done through electronic media.

Response

The District will comply with all concurrent enrollment regulations.

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

Yosemite Community College District

June 30, 2011

STATE COMPLIANCE (Materials Fees)

11-2

Significant Deficiency

Condition

Of the ten courses selected for testing one course outline and syllabus did not list the materials purchased with the required material fee. No determination could be made regarding whether the purchased materials had a continuing value outside of the classroom, whether the District required the purchase due to health or safety reasons, or if the District was supplying the materials cheaper than the student could purchase the material elsewhere. The District did not apply adopted policies and regulations regarding the authority of the District to require students to provide various types of instructional materials.

Criteria

California Education Code, Section 76365 allows districts to require students to provide various types of instructional materials. The governing boards of districts that require students to provide instructional materials or other materials for a course must have adopted policies or regulations that specify the conditions under which such materials will be required.

Districts may only require students to provide instructional materials which are of a continuing value to the students outside of the classroom setting, is tangible personal property that is owned or primarily controlled by the student, and the material must not be solely or exclusively available from the district. Such materials include, but are not limited to, textbooks, tools, equipment, clothing, and those materials, which are necessary for a student's vocation training and employment.

Districts are permitted to require students to purchase instructional materials from them only under limited circumstances: the district is the only source of the materials or there is a health or safety reason for requiring students to purchase the material from the district. Additionally, a district may require students to purchase required instructional materials from the district if it can demonstrate that it supplies the materials cheaper than elsewhere and at the district's actual cost.

Effect

Potential overstatement of materials fees revenue.

Recommendation

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

Response

The District will comply with all materials fee regulations.

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

Yosemite Community College District

June 30, 2011

STATE COMPLIANCE (To Be Arranged Hours)

11-3

Reportable Condition

Condition

The number of hours of instruction for To be Arranged Hours (TBA) courses were not listed in the course schedule of classes, or addenda for three of the 15 TBA courses selected for testing. The number of hours of instruction for TBA courses was not listed in the course catalog for all courses selected for testing.

Criteria

A clear description of the course, including the number of TBA hours required, must be published in the official general catalog and/or addenda and listed in the schedule of classes (5 CCR 58104, and TBA Hours Compliance Advice (Legal Advisory 08-02), published October 1, 2008).

Effect

The courses may not be well publicized which may affect the students selection of courses.

Recommendation

We recommend that the District update their course catalog and schedule of classes to include the number of TBA hours required for all TBA courses.

Response

The District will comply with all To Be Arranged Hours (TBA) course regulations.

None.

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

Yosemite Community College District

June 30, 2011

FEDERAL COMPLIANCE (Student Financial Assistance)

10-1

Reportable Condition

Condition

In our testing of Pell disbursements we found one of the 40 students tested, was overpaid by \$1,338 at the second disbursement date. This was the result of the districts manual override of the Pell calculation within DataTel. We did not expand our population as the override is the Districts process for correction adjusts to units enrolled resulting from petition.

Criteria

Each year the Department of Education provides to institutions payment and disbursement schedules for determining Pell awards. The payment or disbursement schedule provides the maximum annual amount a student would receive for a full academic year for a given enrollment status, expected family contribution, and cost of attendance.

Effect

Potential overpayment of Pell awards.

Recommendation

We recommend the District not use manual override to eliminate the rules that drive the Pell award calculation. To correct for changes in enrollment status during the semester the District should run a final Pell calculation and disbursement.

Current Status

Fully implemented.

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

Yosemite Community College District

June 30, 2011

STATE COMPLIANCE (Student Fees)

10-2

Significant Deficiency

Condition

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

Criteria

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

Effect

Potential overstatement of materials fees revenue.

Recommendation

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

Current Status

Fully implemented.