

**YOSEMITE COMMUNITY
COLLEGE DISTRICT**

Modesto, California

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

June 30, 2010

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Yosemite Community College District

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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, 2010, 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, 2010, 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 10, 2010, 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 15 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 supplemental 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 of the District. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The schedule of property tax assessments on page 44 and the integrated postsecondary education data system expenditures schedule on page 46, have not been subject to the auditing procedures applied in the audit of the basic financial statements; and, accordingly, we do not express an opinion or provide any assurance on it.

Matson and Isom

November 10, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplemental Information)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

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, 2010. 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.

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.

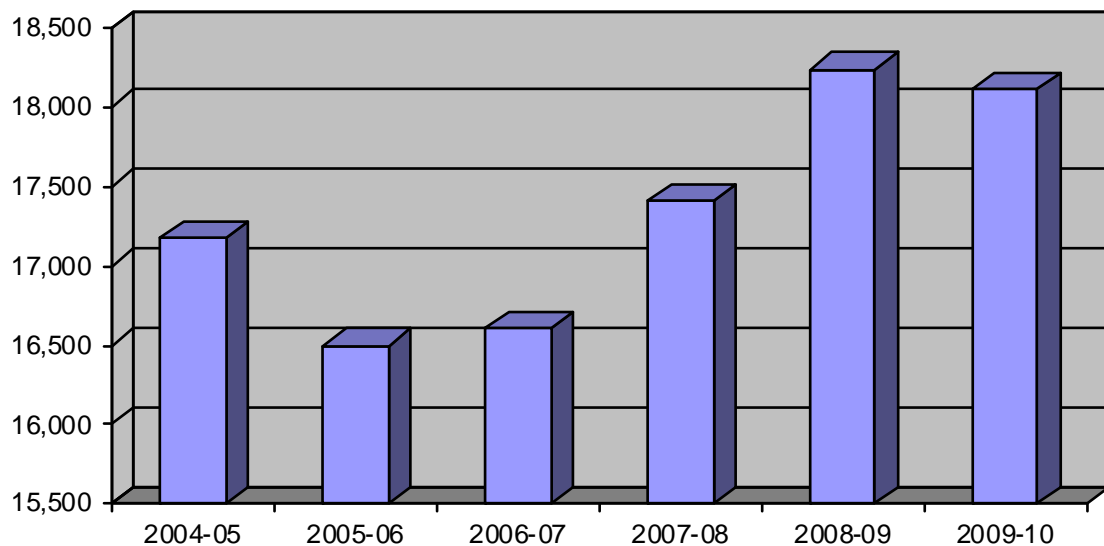
GASB reporting standards require that the annual report include three basic financial statements that provide information on the District as a whole: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. The information provided 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.

ATTENDANCE AND FINANCIAL HIGHLIGHTS

The District served 4.4% more full-time equivalent students (FTES) in 2008-09 than the prior year. Only 2.2% of those growth FTES were funded by the state. In 2009-10 the District served nearly the same number of FTES as it served in 2008-09, only 0.7% less than the prior year. This was accomplished at the same time that operating budgets were decreased nearly \$8,000,000 due to significant state revenue shortfalls. The District served 18,108 FTES in 2009-2010. (See bar chart of Annual FTES below.)

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



The 2009-2010 Budget Act provided for no cost-of-living adjustment (COLA) for the second year in a row and no growth revenue.

The District joined Public Agency Retirement Services (PARS) July 1, 2008, to establish an irrevocable trust for its other post-employment benefits (OPEB.) The District's OPEB consists of health benefits. The account balance as of June 30, 2010, was \$15,570,413. The initial contribution to the trust was made June 1, 2009, in the amount of \$14,943,947. At June 30, 2009, the net annual OPEB obligation outstanding was \$1,218,197. The annual required contribution (ARC) per the District's actuarial study for 2009-10 was \$2,216,414. When taking into account interest and amortization adjustments, the beginning obligation, and the District contribution in 2009-2010 of \$3,573,381 which includes the ARC, the net annual OPEB obligation (deferred charge) at June 30, 2010, is positive \$123,120. The positive balance will be recognized in the 2010-11 year ARC calculation. The OPEB trust will be fully funded in 2028. There remains about \$13,000,000 to fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

Yosemite Community College District

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. Four of the 29 college projects are complete. Completed college projects are: MJC Auditorium, Columbia College (CC) Bus Service Loop/Disabled Parking Lot, CC Public Safety Center & CC Secondary Access Road. Several other projects are nearing completion: CC Madrone, CC Child Development Center, CC Calaveras property purchase, MJC Parking Lot, MJC Ag Modular Living Units, and the MJC Softball Field.

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 2007. The 2009-10 year was an extraordinary year of construction and development for the District's Measure E projects.

The District has a designated reserve in the General Fund of \$6 million which translates to 5% on the total General Fund expenditures budget. This reserve was increased from 5% on the unrestricted General Fund expenditure budget only. In addition, the District's undesignated General Fund balance was \$11,129,761 at June 30, 2010. The undesignated amount was carried forward to the 2010-11 fiscal year to provide for a balanced General Fund budget.

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2010

Yosemite Community College District

STATEMENTS OF NET ASSETS

The statements of net assets includes 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.

	2010	2009	Change
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 16,245,633	\$ 19,587,702	-17%
Receivables	17,629,626	16,145,559	9%
Inventory, prepaid, and other assets	1,270,524	1,505,735	-16%
Total Current Assets	35,145,783	37,238,996	-6%
NONCURRENT ASSETS			
Restricted cash and cash equivalents	264,161,380	207,861,122	27%
Long-term investments	3,895,193	3,644,010	7%
Loans to students	152,340	151,926	0%
Deferred charges	5,197,159	4,351,495	19%
Net other postemployment benefits (OPEB) deferred charges	123,120	-	100%
Capital assets - net	163,650,962	134,139,386	22%
Total Noncurrent Assets	437,180,154	350,147,939	25%
Total Assets	\$ 472,325,937	\$ 387,386,935	22%
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 10,121,846	\$ 7,572,855	34%
Deferred revenue	12,036,439	11,073,280	9%
Other current liabilities	7,391,065	7,644,531	-3%
Total Current Liabilities	29,549,350	26,290,666	12%
NONCURRENT LIABILITIES			
Other postemployment benefits (OPEB)	-	1,218,197	-100%
Long-term liabilities - noncurrent portion	324,647,564	240,053,675	35%
Total Noncurrent Liabilities	324,647,564	241,271,872	
Total Liabilities	354,196,914	267,562,538	32%
NET ASSETS			
Invested in capital assets - net of related debt	93,696,980	89,301,675	5%
Restricted	17,663,311	16,739,693	6%
Unrestricted:			
Reserve for noncash assets	228,693	227,673	0%
Contractual obligations	445,018	797,625	-44%
General reserve	6,000,000	4,600,000	30%
Contingency reserve and other designations	95,021	8,157,731	-99%
Total Unrestricted	6,768,732	13,783,029	-51%
Total Net Assets	118,129,023	119,824,397	-1%
Total Liabilities and Net Assets	\$ 472,325,937	\$ 387,386,935	22%

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2010

Yosemite Community College District

Current cash and cash equivalents consist mainly of cash in the county treasury.

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

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

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

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

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

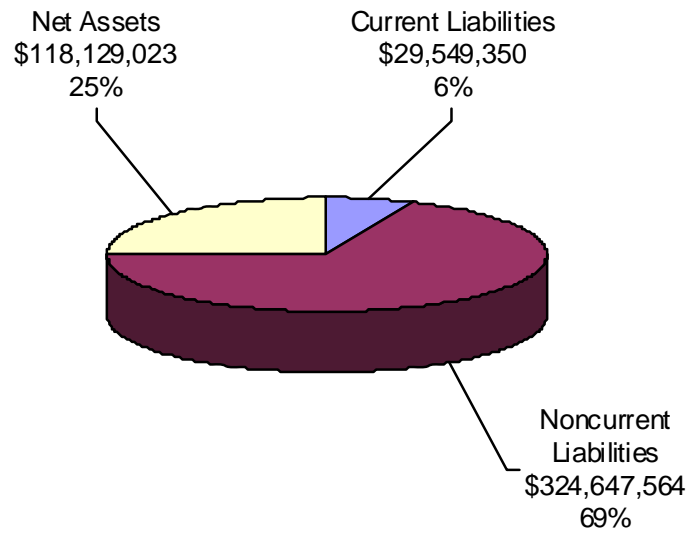
Accounts payable and accrued liabilities consist mainly of accrued payroll and payables due to vendors.

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 2010-11 fiscal year.

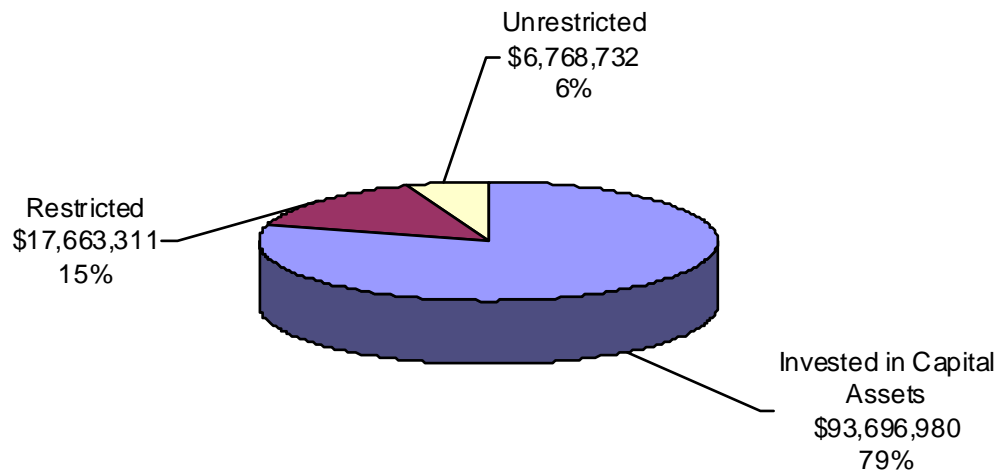
Other current liabilities include the amounts held in trust for others. Long-term liabilities (noncurrent portion) are long-term debt to be paid in one year or later. Compensated absences payable of \$3,548,188, and the general obligation bonds of \$309,918,990 are the major components of the noncurrent portion.

The 2010-11 general reserve is 5% of the General Unrestricted Fund per Chancellor's Office requirements and local Board of Trustees direction. 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, 2010

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.

	2010	2009	Change
REVENUES			
Operating revenues:			
Net tuition and fees	\$ 8,276,681	\$ 8,130,767	2%
Grants, contracts, and other designated revenues - noncapital	20,980,626	22,977,017	-9%
Auxiliary enterprise - net	6,366,377	7,991,291	-20%
Other operating income	1,765,672	3,169,086	-44%
Total Operating Revenue	37,389,356	42,268,161	-12%
Total Operating Expenses	125,677,974	131,324,995	-4%
Operating Loss	(88,288,618)	(89,056,834)	-1%
Nonoperating revenues (expenses):			
State apportionments - noncapital	49,416,664	53,518,640	-8%
Local property taxes	30,663,419	32,835,569	-7%
Lottery and other revenue	2,809,010	2,733,319	3%
Investment income	256,551	808,061	-68%
Other nonoperating revenues (expenses) - net	765,908	999,211	-23%
Total Nonoperating Revenues (Expenses)	83,911,552	90,894,800	-8%
Income before other revenues, expenses, gains, or losses	(4,377,066)	1,837,966	-338%
Apportionment and property taxes - capital	11,264,803	10,055,754	12%
Investment income - capital	2,627,178	7,002,541	-62%
Interest expense - capital	(11,270,289)	(11,047,943)	-2%
Grants and gifts - capital	60,000	1,260,000	-100%
Increase (Decrease) in Net Assets	(1,695,374)	9,108,318	-119%
Net Assets - Beginning of Year			
As Previously Reported	119,824,397	126,224,206	-5%
Cumulative Effect of a Change in Accounting Principle	-	(15,508,127)	100%
Net Assets - Beginning of Year			8%
As Restated	119,824,397	110,716,079	
Net Assets - End of Year	\$ 118,129,023	\$ 119,824,397	-1%

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

Yosemite Community College District

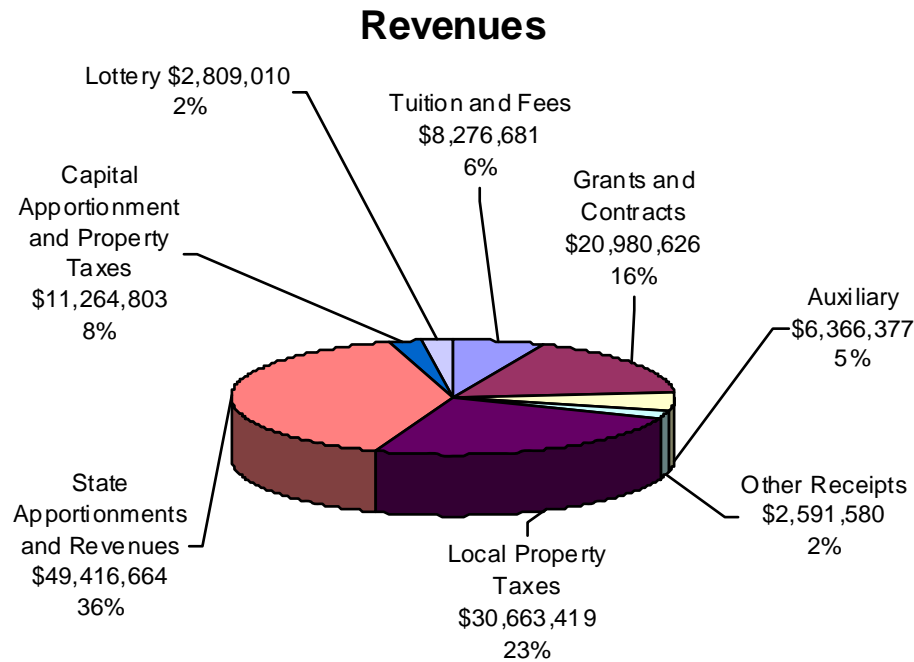
REVENUES

Net tuition and fees consist of enrollment fees of \$4,406,277; nonresident tuition of \$463,968; and all other fees of \$3,406,436. 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 noninstructional 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 \$2,046,817.



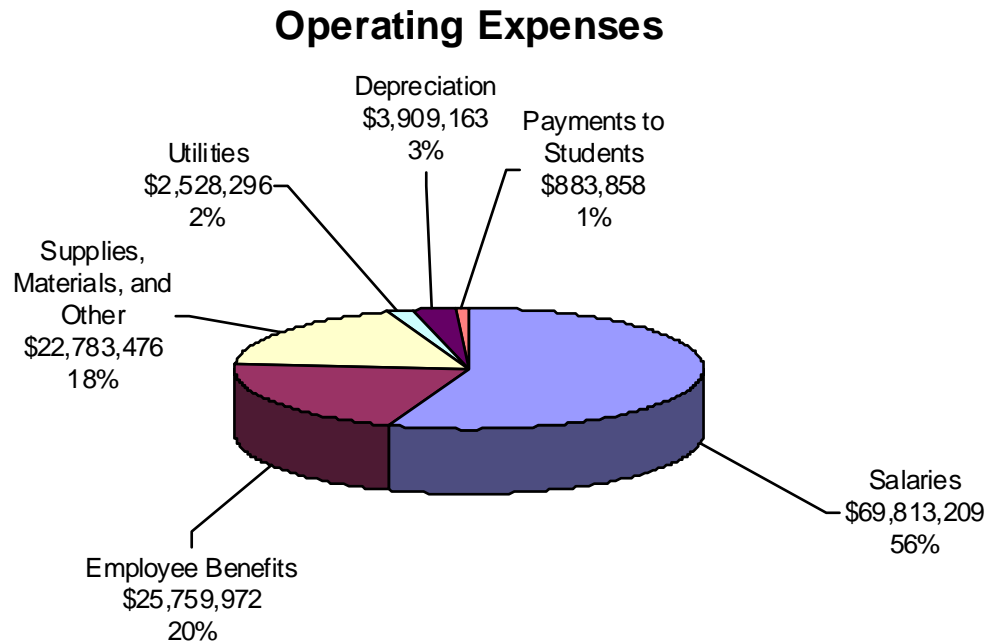
**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2010

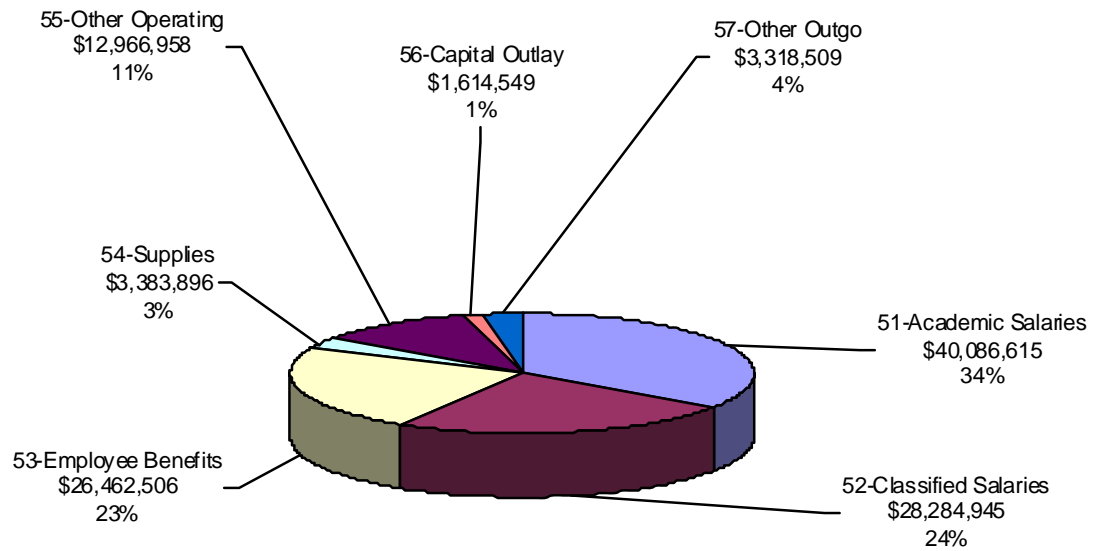
Yosemite Community College District

OPERATING EXPENSES (BY NATURAL CLASSIFICATION – ALL FUNDS)

	2010	2009	Change
Salaries	\$ 69,813,209	\$ 70,859,119	-1%
Employee benefits	25,759,972	26,253,364	-2%
Supplies, materials, other operating expenses, and services	22,783,476	26,427,672	-14%
Utilities	2,528,296	2,533,183	0%
Depreciation	3,909,163	4,032,068	-3%
Payments to students	883,858	1,219,589	-28%
Total Operating Expenses	\$ 125,677,974	\$ 131,324,995	-4%



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



Total = \$116,117,978

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2010

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.

	2010	2009
Cash provided (used) by:		
Operating activities	\$ (82,205,365)	\$ (96,404,013)
Noncapital financing activities	82,628,774	85,012,489
Capital and related financing activities	52,326,572	(23,435,516)
Investment activities	208,208	1,014,861
Net Increase (Decrease) in Cash	52,958,189	(33,812,179)
Cash - Beginning of the Fiscal Year	227,448,824	261,261,003
Cash - End of the Fiscal Year	\$ 280,407,013	\$ 227,448,824

ECONOMIC FACTORS AFFECTING THE FUTURE

The historically 100-day late 2010-11 budget was finally passed on October 8, 2010. Enrollment growth is funded at \$126,000,000 and no cost-of-living adjustment is included for the third year in a row. Partial backfill for the categorical program cuts in the amount of \$35,000,000 is included in the budget package as is partial restoration for physical plant and instructional support.

The District exceeded the state-funded FTES in the prior year and plans on serving the same number of FTES in 2010-11 without adding additional sections. The District projects that it will be over the funded state FTES CAP by approximately 3.7%. The FTES target for 2010-11 is 18,108.

The District's 2010-11 budget is in balance; however, the large funding carryover from 2009-10 is not sustainable. The District will be entertaining various funding and spending scenarios as planning continues at the Colleges and Central Services.

FINANCIAL SECTION

STATEMENT OF NET ASSETS

Yosemite Community College District

June 30, 2010	Primary Institution	Foundations
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 16,245,633	\$ 1,470,010
Accounts receivable - net	17,629,626	33,323
Inventory	945,762	10,055
Prepaid expenses	324,762	8,459
Total Current Assets	35,145,783	1,521,847
NONCURRENT ASSETS		
Restricted cash and cash equivalents	264,161,380	67,647
Long-term investments	3,895,193	5,833,153
Loans to students	152,340	-
Other assets	-	145,487
Deferred charges	5,197,159	-
Net other postemployment benefits deferred charges	123,120	-
Capital assets - net	163,650,962	-
Total Noncurrent Assets	437,180,154	6,046,287
Total Assets	\$ 472,325,937	\$ 7,568,134
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 7,741,362	\$ 155,675
Accrued salaries and related benefits	2,380,484	-
Deferred revenue	12,036,439	38,700
Other accrued liabilities	3,913,226	-
Amounts held in trust for others	2,397,839	201,115
Current portion of long-term liabilities	1,080,000	-
Total Current Liabilities	29,549,350	395,490
NONCURRENT LIABILITIES		
Other long-term liabilities	324,647,564	-
Total Noncurrent Liabilities	324,647,564	-
Total Liabilities	354,196,914	395,490
NET ASSETS		
Invested in capital assets - net of related debt	93,696,980	-
Restricted:		
Nonexpendable	-	6,513,600
Expendable	17,663,311	793,419
Unrestricted	6,768,732	(184,171)
Total Net Assets	118,129,023	7,172,644
Total Liabilities and Net Assets	\$ 472,325,937	\$ 7,568,134

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, 2010	Primary Institution	Foundations
OPERATING REVENUES		
Tuition and fees (gross)	\$ 14,571,842	\$ -
Scholarship discounts and allowances	(6,295,161)	-
Net Tuition and Fees	8,276,681	-
Grants and contracts - noncapital:		
Federal	10,092,439	-
State	8,909,681	-
Local	1,978,506	-
Other operating receipts	1,765,672	-
Auxiliary enterprise sales and charges	6,366,377	-
Total Operating Revenues	37,389,356	-
OPERATING EXPENSES		
Salaries	69,813,209	163,288
Employee benefits	25,759,972	34,330
Supplies, materials, and other operating expenses and services	22,783,476	334,407
Utilities	2,528,296	-
Depreciation	3,909,163	-
Payments to students	883,858	151,445
Total Operating Expenses	125,677,974	683,470
Operating Loss	(88,288,618)	(683,470)
NONOPERATING REVENUES (EXPENSES)		
State apportionments - noncapital	49,416,664	-
Local property taxes - noncapital	30,663,419	-
State taxes and other revenues - noncapital	2,809,010	-
Investment income - noncapital	457,531	417,024
Amortization expense	(200,980)	-
Financial aid revenues - federal	25,049,027	-
Financial aid revenues - state	1,756,992	-
Financial aid expenses	(27,396,332)	-
Other nonoperating revenues - grants/gifts - noncapital	1,356,221	1,252,090
Total Nonoperating Revenues (Expenses)	83,911,552	1,669,114
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(4,377,066)	985,644
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES		
Local property taxes and revenues - capital	11,264,803	-
Investment income - capital	2,627,178	-
Interest expense - capital	(11,270,289)	-
Grants and gifts - capital	60,000	-
Total Other Revenues, Expenses, Gains, or Losses	2,681,692	-
Increase (Decrease) in Net Assets	(1,695,374)	985,644
Net Assets - Beginning of Year	119,824,397	6,187,000
Net Assets - End of Year	\$ 118,129,023	\$ 7,172,644

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

STATEMENT OF CASH FLOWS

Yosemite Community College District

Page 1 of 2

Year Ended June 30, 2010	Primary Institution	Foundations
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 8,605,187	\$ -
Federal grants and contracts	9,187,153	-
State grants and contracts	8,187,004	-
Local grants and contracts	3,581,769	-
Payments to suppliers	(22,227,318)	(436,936)
Payments to/on behalf of employees	(97,006,779)	(197,618)
Payments to/on behalf of students	(884,272)	(121,445)
Auxiliary enterprise sales and charges	6,706,878	-
Other receipts	1,645,013	(750)
Net Cash Used by Operating Activities	(82,205,365)	(756,749)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionment and receipts	47,222,824	-
Property taxes	30,683,040	-
State taxes and other revenues	3,611,324	-
Financial aid, scholarship, loan trust receipts - federal	25,049,027	-
Financial aid, scholarship, loan trust receipts - state	1,756,992	-
Financial aid, scholarship, loan trust disbursements	(27,396,332)	-
Student organization agency receipts	345,678	9,859
Other receipts	1,356,221	1,255,681
Net Cash Provided by Noncapital Financing Activities	82,628,774	1,265,540
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	84,423,741	-
State apportionments for capital purposes	325,489	-
Purchases of capital assets	(33,360,739)	(62,996)
Principal paid on capital debt	(905,000)	-
Interest paid on capital debt	(12,048,900)	-
Interest on capital investments	2,627,178	-
Local property taxes and other revenues for capital	11,264,803	-
Net Cash Provided by Capital and Related Financing Activities	52,326,572	(62,996)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(94,112)
Interest and dividends from investments	208,208	164,373
Net Cash Provided by Investing Activities	208,208	70,261
Net Increase in Cash and Cash Equivalents	52,958,189	516,056
Cash and Cash Equivalents Balance - Beginning of Year	227,448,824	1,021,601
Cash and Cash Equivalents Balance - End Year	\$ 280,407,013	\$ 1,537,657

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

STATEMENT OF CASH FLOWS*Yosemite Community College District*

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Year Ended June 30, 2010	Primary Institution	Foundations
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (88,288,618)	\$ (683,470)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	3,909,163	-
Changes in assets and liabilities:		
Receivables - net	(439,511)	-
Inventories	177,449	154
Prepaid expenses	57,762	(3,470)
Loans to students	(414)	30,000
Other assets	-	(750)
Other postemployment benefits (OPEB)	(1,341,317)	-
Accounts payable	2,849,243	(99,213)
Accrued salaries and benefits	(300,252)	-
Deferred revenues	963,159	-
Compensated absences	207,971	-
Net Cash Used by Operating Activities	\$ (82,205,365)	\$ (756,749)

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, 2010

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, 2010, the fair value of the county pool is 100.77% 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, 2010, was \$1,885,995. 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 \$654,997, at June 30, 2010.

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 nondepreciable 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.

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

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

Risk Management The District retains risk for liability and property damage on the first \$5,000 of each claim. The District retains 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.

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

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

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

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

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

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

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

June 30, 2010

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2010:

	Fair Value	
	Primary Institution	Foundations
PETTY CASH/CASH AWAITING DEPOSIT	\$ 51,408	\$ 458
DEPOSITS (1)	2,930,660	1,293,348
INVESTMENTS THAT ARE NOT SECURITIES (2)		
County treasurer's investment pool	277,424,944	-
Certificates of deposit	2,799,476	367,747
Money market mutual funds	294,062	243,849
Real estate	-	65,000
Subtotal	280,518,482	676,596
INVESTMENT SECURITIES		
U.S. treasury securities	390,142	525,455
U.S. government agency securities:		
Federal National Mortgage Association	-	499,857
Federal Home Loan Mortgage Corporation	37,134	-
Corporate bonds	117,343	1,377,551
Bond mutual funds	124,022	166,206
Equity mutual funds	-	264,426
Equity securities	133,015	2,566,913
Subtotal	801,656	5,400,408
Total Cash and Cash Equivalents and Investments	\$ 284,302,206	\$ 7,370,810

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

June 30, 2010

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, 2010, the District's and the Foundations' bank balances were exposed to custodial credit risk as follows:

	Primary Institution	Foundations
Uninsured and uncollateralized	\$ -	\$ 891,512
Uninsured and collateral held by pledging bank's trust department not in the District's name	2,813,119	-
Total	\$ 2,813,119	\$ 891,512

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	BB	BBB-	Unrated
County treasurer's investment pool	\$ 277,424,944	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 277,424,944
U.S. treasury securities	390,142	390,142	-	-	-	-	-
U.S. government agency securities:							
Federal Home Loan Mortgage Corporation	37,134	37,134	-	-	-	-	-
Corporate bonds	117,343	20,306	-	50,118	-	6,919	40,000
Money market mutual funds	294,061	-	-	-	-	-	294,061
Bond mutual funds	124,022	44,074	8,762	-	71,186	-	-
Totals	\$ 278,387,646	\$ 491,656	\$ 8,762	\$ 50,118	\$ 71,186	\$ 6,919	\$ 277,759,005

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

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, 2010, is as follows:

Investment Type	Fair Value	S & P's Rating as of Year End												
		AAA	AA	AA+	AA-	A	A+	A-	BBB	BBB+	BBB-	BB+	B	Not Rated
U.S. treasury securities	\$ 525,455	\$ 525,455	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. government agency securities:														
Federal National Mortgage Association	499,857	499,857	-	-	-	-	-	-	-	-	-	-	-	-
Corporate bonds	1,377,551	79,257	202,350	73,327	120,726	346,272	122,148	122,491	111,277	47,738	97,950	49,778	4,237	-
Money market mutual funds	243,849	-	-	-	-	-	-	-	-	-	-	-	-	243,849
Bond mutual funds	166,206	-	-	-	-	18,303	-	18,128	34,097	-	56,528	26,279	-	12,871
Totals	\$ 2,812,918	\$ 1,104,569	\$ 202,350	\$ 73,327	\$ 120,726	\$ 364,575	\$ 122,148	\$ 140,619	\$ 145,374	\$ 47,738	\$ 154,478	\$ 76,057	\$ 4,237	\$ 256,720

June 30, 2010

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 \$367,747 in Modesto Commerce Bank, \$525,455 in U.S. Treasuries, and \$499,857 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, 2010, is as follows:

Investment Type	Fair Value	Less Than 1	Maturity (in Years)	
			1-5	6-10
County treasurer's investment pool	\$ 277,424,944	\$ 277,424,944	\$ -	\$ -
U.S. treasury securities	390,142	30,220	176,582	183,340
Federal National Mortgage Association	-	-	-	-
Federal Home Loan Mortgage Corporation	37,134	-	37,134	-
Corporate bonds	117,343	20,306	72,030	25,007
Bond mutual funds	124,022	-	124,022	-
Totals	\$ 278,093,585	\$ 277,475,470	\$ 409,768	\$ 208,347

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, 2010, is as follows:

Investment Type	Fair Value	Less Than 1	Maturity (in Years)	
			1-5	6-10
U.S. treasury securities	\$ 525,455	\$ -	\$ 474,740	\$ 50,715
Federal National Mortgage Association	499,857	-	499,857	-
Corporate bonds	1,377,551	-	866,864	510,687
Bond mutual funds	166,206	-	166,206	-
Totals	\$ 2,569,069	\$ -	\$ 2,007,667	\$ 561,402

June 30, 2010

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2010:

Federal grants and contracts	\$ 3,323,154
State grants and contracts	900,485
Local grants and contracts	1,482,903
State lottery and other revenues	28,000
State apportionment - noncapital	10,074,337
Tuition and fees	1,288,331
Property taxes - noncapital	8,484
Auxiliary	296,580
Interest receivable	10,737
Miscellaneous	216,615
Total	\$ 17,629,626

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, is as follows:

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
NONDEPRECIATED CAPITAL ASSETS				
Construction in progress	\$ 34,932,477	\$ 32,366,134	\$ 2,092,573	\$ 65,206,038
Land	6,243,476	-	-	6,243,476
DEPRECIATED CAPITAL ASSETS				
Site improvements	1,853,384	-	-	1,853,384
Buildings and improvements	112,385,854	2,092,573	-	114,478,427
Equipment	21,141,963	1,157,418	473,753	21,825,628
Total Capital Assets	176,557,154	35,616,125	2,566,326	209,606,953
Less: Accumulated depreciation	42,415,510	3,909,163	368,682	45,955,991
Total Capital Assets - Net	\$134,141,644	\$ 31,706,962	\$ 2,197,644	\$163,650,962

6. LONG-TERM LIABILITIES

The long-term liability activity for the year ended June 30, 2010, is as follows:

	Beginning Balance	Additions	Payments and Reductions	Ending Balance	Current Portion
Compensated absences	\$ 3,340,217	\$ 207,971	\$ -	\$ 3,548,188	\$ -
General obligation bonds	229,095,000	81,728,990	905,000	309,918,990	1,080,000
Unamortized bond premiums	7,995,603	1,046,644	849,075	8,193,172	-
Accreted interest	1,372,463	2,694,751	-	4,067,214	-
Total	\$ 241,803,283	\$ 85,678,356	\$ 1,754,075	\$ 325,727,564	\$ 1,080,000

June 30, 2010

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 from 3.00% to 5.00%.	\$ 78,190,000
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 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 from 2.00% to 7.06%.	81,728,990
Total	\$ 309,918,990

The amount of interest cost incurred during the year ended June 30, 2010, was \$11,270,289, 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
2011	\$ 1,080,000	\$ 9,475,354	\$ 10,555,354
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
2016-2020	27,560,801	43,814,994	71,375,795
2021-2025	40,103,638	38,980,976	79,084,614
2026-2030	92,526,120	42,853,672	135,379,792
2031-2035	73,314,767	96,775,545	170,090,312
2036-2040	30,595,483	179,553,691	210,149,174
2041-2043	31,063,740	84,714,721	115,778,461
Totals	\$ 309,918,990	\$ 533,343,921	\$ 843,262,911

June 30, 2010

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 after a specified number of days 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
2011	\$ 375,666
2012	269,805
2013	132,807
2014	2,117
Total	\$ 780,395

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment. Rent expenditures were \$445,052 for the year ended June 30, 2010.

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 2009-10 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, 2010, 2009, and 2008, were \$2,837,000, \$2,971,967, and \$2,966,243, respectively, and equaled 100% of the required contributions for each year.

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 2009-10 was 9.709% 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, 2010, 2009, and 2008, were \$2,698,724, \$2,487,496, and \$2,320,857, 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 Plan is covered under *Internal Revenue Code*, Section 401A. Plan 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 nonforfeitable. 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.

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. At June 30, 2010, the District has 236 retirees receiving benefits and has a total of 834 active participants.

June 30, 2010

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 2010, the District's Other Postemployment Benefit (OPEB) cost for the Trust was \$2,232,064. 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, 2010, were as follows:

Annual required contribution	\$ 2,216,414
Interest on net OPEB obligation	15,650
Adjustment to annual required contribution	-
Annual OPEB Cost	2,232,064
Contributions	3,573,381
Change in Net OPEB Obligation (Deferred Charge)	(1,341,317)
Net OPEB Obligation - Beginning of Year	1,218,197
Net OPEB Deferred Charge - End of Year	\$ (123,120)

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net Ending OPEB Obligation (Deferred Charge)
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)

Fiscal year 2009 was the year of implementation of GASB Statement No. 45. Therefore, two years of comparative data is available. In future years, three-year trend information will be presented.

June 30, 2010

Funded Status and Funding Progress

The funded status of the plan based on an actuarial update using age-adjusted premiums as of January 1, 2008, was as follows:

	October 7, 2008
Actuarial accrued liability (AAL)	\$ 28,784,650
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 28,784,650
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active members)	\$ 55,319,108
UAAL as a Percentage of Covered Payroll	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 employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used 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, 2010, was 18 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.

June 30, 2010

Construction Project Commitments

The District entered into several construction commitments for a total of \$75,187,600 during the fiscal year ended June 30, 2010 and an additional \$6,598,000 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.

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

	September 30, 2009	
	VIP	SISC III
Total assets	\$ 23,541,821	\$ 288,989,243
Total liabilities	12,835,314	98,615,380
Net Assets	\$ 10,706,507	\$ 190,373,863
Total operating revenues	\$ 6,317,932	\$ 958,393,652
Total operating expenditures	5,806,121	945,901,001
Nonoperating income	748,513	8,487,505
Net Increase in Net Assets	\$ 1,260,324	\$ 20,980,156

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
Total assets	\$ 6,484,479	\$ 653,431	\$ 430,224
Total liabilities	282,266	3,598	109,626
Net Assets	\$ 6,202,213	\$ 649,833	\$ 320,598
Total revenues	\$ 1,458,842	\$ 151,214	\$ 59,058
Total expenses	540,096	54,918	88,456
Change in Net Assets	\$ 918,746	\$ 96,296	\$ (29,398)

SUPPLEMENTARY INFORMATION SECTION

ORGANIZATION STRUCTURE

June 30, 2010

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
Pat Dean	Chair	2010
Desirree Abshire	Vice Chair	2010
Linda Flores	Member	2012
Tom Hallinan	Member	2012
Mike Riley	Member	2012
Abe Rojas	Member	2012
Anne DeMartini	Member	2010

ADMINISTRATION

Dr. D. Roe Darnell
Chancellor

Ms. Teresa Scott
Executive Vice Chancellor

Ms. Diane Wirth
Vice Chancellor, Human Resources

Ms. Gina Rose
Assistant Chancellor, Information Technology

Dr. Kenneth White
Interim President, Modesto Junior College

Dr. Joan Smith
President, Columbia College

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

June 30, 2010

Yosemite Community College District

The full-time equivalent resident students (FTES) eligible for 2009-10 state apportionment reported to the State of California as of June 30, 2010, are summarized below:

	Reported Data
SUMMER INTERSESSION (Summer 2009 only)	
Noncredit	132
Credit	1,579
SUMMER INTERSESSION (Summer 2010 - Prior to July 1, 2010)	
Credit	18
PRIMARY TERMS (Exclusive of Summer Intersession)	
Census Procedure Courses	
Weekly Census Contact Hours	14,527
Daily Census Contact Hours	838
Actual Hours of Attendance Procedure Courses	
Noncredit	715
Credit	224
Independent Study/Work Experience	
Weekly Census Contact Hours	71
Daily Census Contact Hours	4
Total FTES	18,108
SUPPLEMENTAL INFORMATION (Subset of Above Information)	
IN-SERVICE TRAINING COURSES (FTES)	162
BASIC SKILLS COURSES AND IMMIGRANT EDUCATION	
Noncredit	186
Credit	878
CDCP NONCREDIT FTES	154

See the accompanying note to the supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Yosemite Community College District

June 30, 2010	Pass Through/ Grant Number	Federal CFDA Number	Current Year
FEDERAL DIRECT AWARDS			
U.S. DEPARTMENT OF EDUCATION			
Talent Search		84.044	\$ 311,872
Upward Bound		84.047	518,900
Student Support Services		84.042	340,006
Work Study		84.033	383,281
ARRA - Work Study		84.033	82,649
Pell Grant		84.063	24,559,192
Supplemental Educational Opportunity Grant		84.007	434,443
Strengthening Institutions		84.031A	815,448
Academic Competitiveness Grants		84.375	123,110
Nursing Student Loans		93.364	4,393
Total Direct U.S. Department of Education			27,573,294
DEPARTMENT OF VETERANS AFFAIRS			
Post - Vietnam Era Veterans' Educational Assistance		64.120	1,071
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Hispanic - Serving Institution Assisting Communities	HSIAC-06-CA-39	14.514	(526)
NATIONAL SCIENCE FOUNDATION			
Education and Human Resources	0850238 / DUE-0902470	47.076	125,767
FEDERAL AWARDS PASSED THROUGH OTHER AGENCIES			
AGENCY FOR INTERNATIONAL DEVELOPMENT			
CASS		84.XXX	314,396
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education			
Career and Technical Education:			
Block Grant	08-C01-070	84.048	1,189,517
Tech Prep	CN088120 / CN088120	84.048	495,451
Leadership	08-0342-001	84.048	154,601
Passed Through Reedley College			
Curriculum Development Improvement	08-0158 and 08-0378	84.048	57,369
Passed Through Chancellor's Office			
IASA - Title - VII Reading Excellence Local Reading		84.338	3,773
ARRA - State Fiscal Stabilization Fund		84.394	447,334
Total U.S. Department of Education			2,348,045
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education			
Forest Reserve		10.670	25,347
Child and Adult Care Food Program	2780-9A	10.558	87,702
Total U.S. Department of Agriculture			113,049
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Education			
Temporary Assistance for Needy Families		93.558	17,598
Child Care and Development Block Grant	08-09-5711 / CN088080	93.575	3,850,798
Foster Care	FKCE	93.658	117,817
Head Start	09-CH9047/36	93.600	505,113
ARRA- Head Start		93.660	5,502
Medical Assistance Program (Medi-Cal)		93.778	14,514
Total U.S. Department of Health and Human Services			4,511,342
U.S. DEPARTMENT OF LABOR			
Passed Through the County of Stanislaus			
ARRA -WIA Adult Program		17.258	90,846
ARRA -WIA Dislocated Workers		17.260	64,182
Total U.S. Department of Labor			155,028
Total Federal Programs			\$ 35,141,466

See the accompanying note to the supplementary information.

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Yosemite Community College District

June 30, 2010	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	\$ 707,554	\$ 72,857	\$ 780,411	\$ 780,235	\$ -	\$ 92,298	\$ 687,937	\$ 687,937
CalWORKS	480,093	70,440	550,533	462,405	32,032	19,959	474,478	474,478
Cooperative Agencies Resources for Education	146,480	15,606	162,086	162,086	-	-	162,086	162,086
Disabled Student Program and Services	1,718,965	280,304	1,999,269	1,632,252	-	171,805	1,460,447	1,460,447
Economic Development	537,724	202,574	740,298	696,219	42,173	47,888	690,504	690,504
Extended Opportunity Program and Services	1,163,786	86,918	1,250,704	1,219,713	2,288	28,938	1,193,063	1,193,062
Instructional Equipment	(23,900)	261,776	237,876	261,776	-	185,052	76,724	76,725
Matriculation	658,631	28,450	687,081	610,745	-	33,523	577,222	577,222
Staff Diversity	41,439	33,152	74,591	41,439	-	31,818	9,621	9,621
Staff Development	571	35,169	35,740	35,169	-	31,456	3,713	3,713
Temporary Assistance for Needy Families	299,997	55,435	355,432	259,695	56,176	29,823	286,048	286,048
Subtotal	5,731,340	1,142,681	6,874,021	6,161,734	132,669	672,560	5,621,843	5,621,843
CATEGORICAL PROGRAM ALLOWANCES								
California Articulation Number	-	3,039	3,039	3,039	1,324	2,262	2,101	2,101
Career Tech Ed/Center of Excellence	502,515	997,210	1,499,725	1,330,407	8,064	558,282	780,189	780,189
CCC Live Caption Project	-	1,130	1,130	1,130	-	1,130	-	-
Child Care Food	5,000	-	5,000	4,189	-	-	4,189	4,189
Child Development Training Consortium	700,609	(129,074)	571,535	662,421	357,935	223,903	796,453	796,453
Early Childhood Education Consortium	1,918,898	(386,164)	1,532,734	937,457	195,360	192,627	940,190	940,190
Foster Care Education	110,271	(47,060)	63,211	22,459	46,433	-	68,892	68,892
Funding Obligation Settlement (SB1133)	-	138,252	138,252	138,252	-	138,252	-	-
Staff Diversity Registry	348,202	10,461	358,663	186,618	94,147	6,901	273,864	273,864
Telecommunications and Tech Infrastructure Programs	(87,121)	205,271	118,150	205,271	-	120,263	85,008	85,008
Workforce Investment Act/Basic Skills	190,000	560,065	750,065	772,199	2,210	473,087	301,322	301,322
Career Advancement Academy	95,980	(33,015)	62,965	44,037	12,778	403	56,412	56,412
Subtotal	3,784,354	1,320,115	5,104,469	4,307,479	718,251	1,717,110	3,308,620	3,308,620
Total State Programs	\$ 9,515,694	\$ 2,462,796	\$ 11,978,490	\$ 10,469,213	\$ 850,920	\$ 2,389,670	\$ 8,930,463	\$ 8,930,463

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, 2010

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 34 and 35.

PROPERTY TAX ASSESSMENTS

June 30, 2010

Yosemite Community College District

Page 1 of 2

The District's current-year assessed valuation of taxable properties in the District, including assessed valuation of the top 20 properties is as follows:

<u>Year Ended June 30, 2010</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
Stanislaus County	\$34,950,503,097	\$ 10,566,327	\$ 1,926,983,957	\$36,888,053,381
Tuolumne County	6,417,148,544	2,816,383	202,432,126	6,622,397,053
Calaveras County	4,153,737,689	297,146	68,644,072	4,222,678,907
Merced County	1,852,025,194	251,700	327,454,732	2,179,731,626
San Joaquin County	2,062,250,010	141,540	84,537,473	2,146,929,023
Santa Clara County	19,341,509	-	164,636	19,506,145
Total District	\$49,455,006,043	\$ 14,073,096	\$ 2,610,216,996	\$52,079,296,135

See the accompanying note to the supplementary information.

PROPERTY TAX ASSESSMENTS

June 30, 2010

Yosemite Community College District

Page 2 of 2

Property Owner	Primary Land Use	Percentage of Assessed Valuation	Total Percentage
1. E&J Gallo Winery, Gallo Glass, Gallo Vineyards	Industrial - food processing	\$ 456,059,851	0.92
2. Foster Dairy Farms/Foster Poultry Farms	Industrial - food processing	190,641,223	0.39
3. Doctors Medical Center of Modesto, Inc.	Hospital	147,326,636	0.30
4. Recot Inc.	Industrial - food processing	110,790,450	0.22
5. Macerich Vintage Faire LP	Shopping center	108,062,505	0.22
6. Fresno Farming LLC	Agricultural	105,453,119	0.21
7. Hunt Wesson Foods Inc.	Industrial - food processing	102,029,196	0.21
8. Bronco Wine Co.	Industrial - food processing	98,175,585	0.20
9. Del Monte Corporation	Industrial - food processing	97,429,143	0.20
10. Longs Drug Stores California Inc.	Warehouse/distribution	89,309,915	0.18
11. Deutsche Bank National Trust Co.	Residential Properties	84,802,279	0.17
12. Wine Group LP	Industrial - food processing	80,058,893	0.16
13. Winco Foods LLC	Warehouse/distribution	77,534,134	0.16
14. Signature Fruit Inc.	Industrial - food processing	71,185,406	0.14
15. Kohl's Department Stores Inc.	Warehouse/distribution	68,540,370	0.14
16. HHC Properties LP	Industrial	64,305,053	0.13
17. First Riverbank LP	Shopping center	57,943,855	0.12
18. Post Foods LLC	Industrial	56,135,340	0.11
19. Liljenquist Modesto Co.	Shopping center	54,165,533	0.11
20. Covanta Stanislaus, Inc.	Power generation	52,793,532	0.11
		\$ 2,172,742,018	4.40

(1) 2009-10 Local Secured Assessed Valuation: \$49,455,006,043.

*Source: California Municipal Statistics, Inc.**See the accompanying note to the supplementary information.*

**INTEGRATED POSTSECONDARY
EDUCATION DATA SYSTEM EXPENDITURES**

June 30, 2010

Yosemite Community College District

	Salaries and Wages	Employee Fringe Benefits	Depreciation	All Other	Current-Year Total
OPERATING EXPENSES					
Instruction	\$ 36,407,916	\$ 10,038,351	\$ -	\$ 9,698,412	\$ 56,144,679
Public service	850,151	199,793	-	957,337	2,007,281
Academic support	7,862,283	3,169,434	-	1,407,967	12,439,684
Student services	8,084,584	3,240,274	-	839,198	12,164,056
Institutional support	10,021,119	5,751,284	-	1,484,097	17,256,500
Operation and maintenance of plant	4,082,007	2,257,809	-	3,322,154	9,661,970
Depreciation	-	-	3,909,163	-	3,909,163
Auxiliary enterprises	2,505,149	1,103,027	-	5,592,353	9,200,529
Other expenses and deductions	-	-	-	2,894,112	2,894,112
Total Operating Expenses	69,813,209	25,759,972	3,909,163	26,195,630	125,677,974

See the accompanying note to the supplementary information.

**NOTE TO THE SUPPLEMENTARY
INFORMATION**

June 30, 2010

Yosemite Community College District

PURPOSE OF SCHEDULES

Schedule of Workload Measures for State General Apportionments/Annual Attendance

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

Schedules of Expenditures of Federal and State Awards

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

Reconciliation of Annual Financial and Budget Report (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 Members of 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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 10, 2010. 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 entity'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.

**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

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 10-1 and 10-2.

We noted certain matters that we reported to management of the District, in a separate letter dated November 10, 2010.

The District's response to 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 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 10, 2010



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 APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Members of 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, 2010. The District's major federal programs are identified in the summary of audit 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 occurred with the types of compliance requirements referred to above which could have a direct and material effect on a major federal program. 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, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 10-1.

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 APPLICABLE TO 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.

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

This report is intended solely for the information and use of the Board of Trustees, management, 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 10, 2010



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 Members of 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, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 10, 2010. 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*, issued by the California Community Colleges Chancellor's Office. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following:

SALARIES OF CLASSROOM INSTRUCTORS: 50 PERCENT LAW
 APPORTIONMENT FOR INSTRUCTIONAL SERVICE AGREEMENTS
 STATE GENERAL APPORTIONMENT FUNDING SYSTEM
 RESIDENCY DETERMINATION FOR CREDIT COURSES
 STUDENTS ACTIVELY ENROLLED
 CONCURRENT ENROLLMENT OF K-12 STUDENTS IN
 COMMUNITY COLLEGE CREDIT COURSES
 USES OF MATRICULATION FUNDS
 GANN LIMIT CALCULATION
 ENROLLMENT FEE
 CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CALWORKS)
 SCHEDULED MAINTENANCE PROGRAM
 OPEN ENROLLMENT
 STUDENT FEES - INSTRUCTIONAL MATERIALS AND HEALTH FEES

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Continued

Based on our audit, for the items tested, we found the District complied with the state laws and regulations referred to above, except as described in the schedule of findings and questioned costs. Further, based on our examination for items not tested, nothing came to our attention to indicate that the District had not complied with the State laws and regulations, except as described in the accompanying schedule of findings and questioned costs as item 10-2.

This report is intended solely for the information and use of the Board of Trustees, management, 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 10, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS SECTION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2010

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?	Yes
Type of auditors' report issued on compliance for major program	Unqualified
Audit findings disclosed relative to major federal award programs?	Yes
Identification of major programs	
CFDA No. 84.007, 84.033, 84.063, 84.375, 93.364	Student Financial Assistance Cluster
CFDA No. 84.042, 84.044, 84.047	TRIO
CFDA No. 93.575	Child Care and Development Block Grant
CFDA No. 84.394	State Fiscal Stabilization Fund
Threshold for distinguishing types A and B programs	\$1,054,122
Determined to be a 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, 2010

Yosemite Community College District

**SECTION II FINDINGS
FINANCIAL STATEMENT AUDIT**

None.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2010

Yosemite Community College District

SECTION III FINDINGS FEDERAL AWARDS AUDIT

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.

Effects

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.

Response

The District has strengthened its procedures for handling Financial Aid appeals to minimize the risk of overpayment.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2010

Yosemite Community College District

SECTION IV FINDINGS STATE AWARDS AUDIT

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.

Response

The District has implemented recommended changes effective Fall 2010.

CORRECTIVE ACTION PLAN

June 30, 2010

Yosemite Community College District

None.

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

June 30, 2010

Yosemite Community College District

None.