STATE CENTER COMMUNITY COLLEGE DISTRICT

COUNTY OF FRESNO

FRESNO, CALIFORNIA

FINANCIAL STATEMENTS

WITH SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2010

AND

INDEPENDENT AUDITOR'S REPORT

STATE CENTER COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 2010

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STATE CENTER COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
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PERRY-SMITH
THE POWER OF CONFIDENCE

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
State Center Community College District
Fresno, California

We have audited the accompanying financial statements of the business-type activities of State Center Community College District (the "District") as of and for the year ended June 30, 2010, which 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 an opinion on these financial statements based on our audit. We did not audit the financial statements of State Center Community College Foundation, a discretely presented component unit. Those statements were audited by other auditors whose report dated October 29, 2010 has been furnished to us, and our opinion, insofar as it relates to the amounts included for State Center Community College Foundation, is based solely on the report of the other auditors.

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 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 opinion.

In our opinion, based on our audit and the report of the other auditors, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the net assets of the business-type activities and the discretely presented component unit of State Center Community College District as of June 30, 2010, and the results of its operations, changes in its net assets and its cash flows 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 a report dated November 29, 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 grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Management's Discussion and Analysis (MD&A) and the Required Supplementary Information, such as the Schedule of Other Postemployment Benefits Funding Progress, are not required parts of the financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Perry-Smith LLP

Sacramento, California
November 29, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

The Management's Discussion and Analysis section of the audit provides management the opportunity to review the overall financial condition and activities of the District and discuss important fiscal issues. All information presented in this report will be in a two-year comparative format. Responsibility for the completeness and fairness of this information rests with the District.

USING THIS ANNUAL REPORT

As required by the Governmental Accounting Standards Board (GASB) Codification Section (Cod. Sec.) 2200.101 and GASB Cod. Sec. Co5.101 the annual report consists of three basic financial statements that provide information on the District's activities as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses, and Change in Net Assets; and the Statement of Cash Flows. These statements are prepared using the Business Type Activity (BTA) model, which is in compliance with the California Community College Chancellor's Office recommendation to report in a manner consistent with other California community college districts.

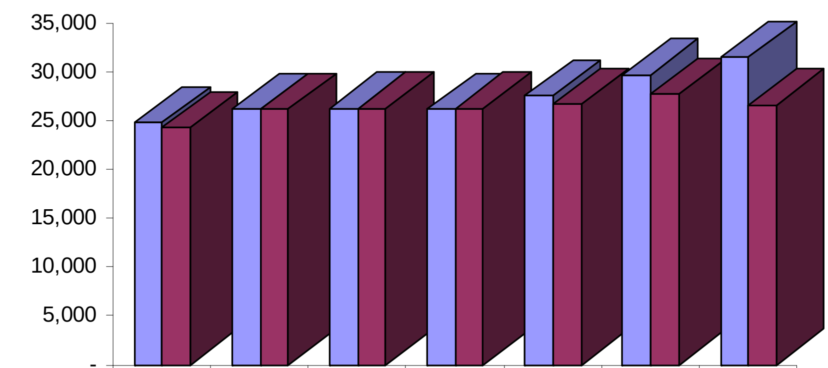
The focus of the Statement of Net Assets is designed to be similar to bottom-line results for the District. This statement combines and consolidates current financial resources (net short-term spendable resources) with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Change in Net Assets focus on the costs of the District's operational activities, which are supported mainly by student tuition and fees and grants/contracts. Non-operating revenues like property taxes and State apportionment make up the primary revenue sources of the District. This approach is intended to summarize and simplify the user's analysis of the sources and costs of various District services to students and the community. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

FINANCIAL HIGHLIGHTS

The District's primary funding source is based upon apportionment revenue received from the State of California. The key component of apportionment is the calculation of Full-Time Equivalent Students (FTES). Based on the Revised Annual CCFS 320 report, SCCCD resident FTES reported for the 2009-10 fiscal year was 31,479–a 6% increase over the prior year. As illustrated by the following chart, the District has historically done quite well in attracting students. New to the apportionment calculation this year was the reduction in funding to the system of $192 million or a 3.4% reduction in funded FTES from the prior year. Lack of funds at the State level required each district to take a proportionate reduction in workload FTES for the current year. State Center's share was 1,022 FTES or $4.6 million. With the current high unemployment rate in the State and Nation, as well as tuition fees increasing at the UC and CSU level, enrollments for the District and the System have resulted in unfunded FTES of approximately 5,600 and 93,000 respectively at the second principal apportionment (P2). With limited funding, community colleges in California are scrutinizing curriculum offerings and beginning to focus on the three core instructional areas of basic skills, transfer, and workforce training.

Even though the District generated 31,479 FTES in 2009-10, the District was paid for only 26,622 FTES due to lack of State funds to pay Districts for all earned FTES in 2009-10. Further complicating this issue, the State deficit funded the District approximately $300,000. In total for 2009-10, the District was underpaid approximately $22.5 million in apportionment funding ($22.2 million unfunded FTES and $0.3 million funding deficit) based on the second principal apportionment (P2) and the Annual CCFS 320. The graph below demonstrates the historical differences between earned and funded FTES for State Center Community College District.

SCCCD FTES-Actual & Funded

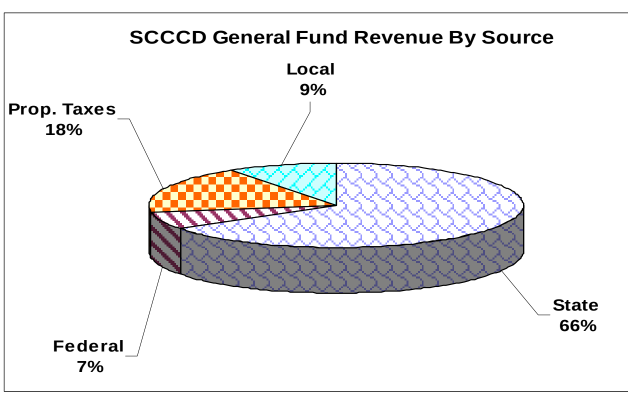


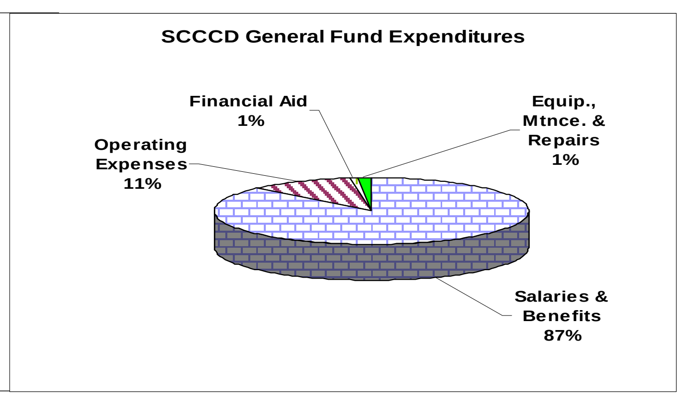
	2004	2005	2006	2007	2008	2009	2010
Actual	24,797	26,154	26,298	26,190	27,605	29,694	31,479
Funded	24,256	26,154	26,298	26,298	26,698	27,693	26,622

The 2009-10 State budget includes a recurring $200 million June deferral to the next year's Proposition 98 guarantee, plus an additional $503 million deferral from the months of January ($115 million), February ($115 million), March ($55 million), April ($136.5 million), and May ($81.5 million) for a grand total of $703 million deferred to fiscal year 2010-11. Additionally, two new intra-fiscal year deferrals of $300 million were established for the 2009-10 year. The first deferred $200 million from July to October and the second deferral of $100 million from March to May. Due to the deterioration of State revenues and the State's poor credit rating, the State deferred these payments to the Community College System to balance their cash-flow problems. The District's share of this system-wide inter-year deferral was approximately $19.8 million and is included in the District's accounts receivable balance at year end.

The District and the System both received no Cost of Living Adjustment (COLA) or growth funding for the 2009-10 fiscal year. Historically, money is budgeted for at least one of these factors, but due to the weakness in the state economy, no funds were allocated for either. Combined with the workload reduction of 3.4%, the 2009-10 Budget for community colleges saw reductions when typically additional resources would have been provided.

Since the District relies heavily on Federal Grants, State apportionment, categorical programs, and property taxes. It is important to understand the sources and uses of these funds. The following two graphs depict the District's major revenue sources and expenditure use categories.





Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the District as of the end of the fiscal year using the accrual basis of accounting, which is comparable to the basis of accounting used by most private sector institutions. Net assets—the difference between assets and liabilities—is one way to measure the financial health of the District. This data allows readers to determine the assets available to continue the operations of the District. The net assets consist of three major categories: 1.) Invested in capital assets—The District's equity in property, plant, and equipment; 2.) Restricted net assets – restricted net assets are restricted by use constraints placed by outside parties such as through agreements, laws, regulations of creditors or other governments, or imposed by law through constitutional provisions or enabling legislation; and 3.) Unrestricted net assets – The District can use these for any lawful purpose. Although unrestricted, the District's governing board may place internal restrictions on these net assets, but it retains the power to change, remove, or modify these restrictions.

Condensed financial information is as follows:

	As of June 30th (in thousands)	
CURRENT ASSETS	**2010**	**2009**
Cash, Investments, and Short-Term Receivables	70,129	74,569
Inventory and Pre-Paid Expenditures	2,288	3,098
TOTAL CURRENT ASSETS	72,417	77,667
NON-CURRENT ASSETS		
Restricted Cash	37,795	40,510
Net Plan Assets-OPEB	-	1,574
Capital Assets, Net of Depreciation	288,029	261,737
TOTAL NON-CURRENT ASSETS	325,824	303,821
TOTAL ASSETS	398,241	381,488
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	16,616	19,880
Deferred Revenue	8,301	7,600
Amount Held in Trust on Behalf of Others	935	772
Compensated Absences Payable	3,441	3,376
Long Term Liabilities-Current Portion	2,897	1,211
TOTAL CURRENT LIABILITIES	32,190	32,839
NON-CURRENT LIABILITIES		
Long-Term Liabilities-Non-Current Portion	111,771	94,191
TOTAL LIABILITIES	143,961	127,030
NET ASSETS (Fund Bal)		
Investment in Capital Assets, Net of Related Debt	196,263	192,924
Restricted for Expendable Purposes	22,142	29,079
Unrestricted	35,875	32,455
TOTAL NET ASSETS	254,280	254,458
TOTAL LIABILITIES AND NET ASSETS	398,241	381,488

This schedule has been prepared from the District's Statement of Net Assets (page 10). Cash and short-term investments consist primarily of funds held in the Fresno County Treasury. Overall changes in the cash position are explained in the Statement of Cash Flows (pages 14-15). The Statement of Net Assets increased by approximately $16.8 million. Highlights of the major changes include an $11.0 million decrease in receivables in the Capital Projects Fund as the State reimbursed the District for construction costs and an increase in the General Fund receivables of $4.1 million as deferred state apportionments increased over the prior year. Capital Assets net of depreciation increased by $26.3 million as construction projects were completed and available for use. And lastly, overall debt increased by $19.3 million primarily due to the issuance of the $20 million General Obligation Bonds coupled with the payment of debt.

In November 2002, the District passed a $161 million (Proposition 39) General Obligation Bond to fund capital construction projects over the next 12 years. These funds, when combined with State Educational Capital Bond funds, will provide the District with funds to renovate existing facilities and construct new facilities to meet the enrollment and technology demands of our stakeholders. The District has issued four Series of these bonds totaling $131 million to date, leaving $30 million in General Obligation Bonds authorized, but unissued. The remaining $30 million in local bond funds is to be leveraged with a future State Bond (40% local/60% State) for the Southeast Site. Approximately $128.4 million of the four Series totaling $131 million has been expended as of June 30, 2010. The sale of the last Series of General Obligation Bonds was for $20 million and was consummated in early July 2009.

Statement of Revenues, Expenses, and Change in Net Assets

The Statement of Revenues, Expenses, and Change in Net Assets presents the operating results of the District. The purpose of the statement is to present the revenues received by the District, both operating and non-operating, and the expenses paid by the District, operating and non-operating, and any other revenues, expenses, gains and losses, received or spent by the District. State general apportionment funds, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

Changes in total net assets on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Change in Net Assets. Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses paid to acquire goods and services to our students and stakeholders and to carry out the mission of the District.

Condensed financial information is as follows:

	For the years Ended June 30th (in thousands)	
OPERATING REVENUES	**2010**	**2009**
Tuition & Fees	11,464	10,583
Grants & Contracts, Non-Capital	96,879	79,868
Auxillary Enterprises & Other Operating Revenues	5,186	6,547
TOTAL OPERATING REVENUES	113,529	96,998
OPERATING EXPENDITURES		
Salaries and Benefits	143,944	145,886
Supplies, Maintenance & Other Operating Expenses	28,151	26,928
Financial Aid	72,001	52,986
Depreciation	5,926	5,031
TOTAL OPERATING EXPENDITURES	250,022	230,831
OPERATING INCOME (LOSS)	(136,493)	(133,833)
NON-OPERATING REVENUES (EXPENSES)		
State Apportionment	94,875	101,870
Property Taxes	37,972	31,153
State Revenues	4,093	3,816
Net Interest/Investment Income	(3,885)	(334)
Other Nonoperating Revenue	1,005	206
TOTAL NON-OPERATING REVENUES (EXPENSES)	134,060	136,711
INCOME/(LOSS) BEFORE OTHER REV AND EXP	(2,433)	2,878
CAPITAL REVENUE		
Federal, State and Local Capital Income	2,255	18,379
INCREASE (DECREASE) IN NET ASSETS	(178)	21,257
NET ASSETS, BEGINNING	254,458	233,201
NET ASSETS, ENDING	254,280	254,458

This schedule has been prepared from the Statement of Revenues, Expenses, and Change in Net Assets presented on page 12. The Statement of Revenues, Expenses and Change in Net Assets saw a decrease of Net Assets of approximately $.2 million. Highlights of the significant changes include an increase in non-capital Federal grants of $20.1 million of which $18.0 million is from Pell financial aid awards. The increased number of students attending the District, coupled with the increase in the maximum Pell awards of $619, results in a significant increase in Pell Grants awarded. Various State Grants alternatively decreased by $3.9 million, probably the result of the shrinking State budget. Overall, total financial aid disbursed increased by approximately $19 million. State capital projects money decreased by almost $17 million as the last State Bond project (Willow International Academic Building 2) was substantially completed in fiscal year 2008-09.

Statement of Cash Flows

The Statement of Cash Flows provides additional information about the District's financial results by reporting its major sources and uses of cash. This information assists readers in assessing the District's ability to generate revenue, meet its obligations as they come due, and evaluate its need for external financing. The statement is divided into several parts. The first portion is operating cash flows and shows the sources and uses of the operating activities of the institution. The second section reflects cash flows from non-capital financing activities and shows the sources and uses of those funds. The third section is cash flows from capital and related financing activities. This section addresses the cash used for the acquisition and construction of capital related items. The fourth section reflects cash flows from investing activities; the cash received and spent for short-term investments along with any interest paid or received on those investments.

Condensed financial information is as follows:

	For the years Ended June 30th (in thousands)	
	2010	**2009**
Cash provided by (used in)		
Operating activities	$ (131,189)	$ (122,588)
Non-capital financing activities	135,473	128,043
Capital financing activities	(4,407)	(68,268)
Investing activities	918	2,203
Net increase/(decrease) in cash	795	(60,610)
Cash, Beginning of Year	78,918	139,528
Cash, End of Year	$ 79,713	$ 78,918

Community College Districts in California rely heavily on State General Apportionment and local property taxes to support their programs and services. GASB accounting standards require these sources of revenues be shown as non-operating since they are not derived directly from our primary users of the colleges' programs and services (students), but rather taxpayers and homeowners.

Cash Receipts from operating activities consist primarily of federal, state, and local grants and contracts. Cash outlays were primarily payments to suppliers and payments to or on behalf of employees.

General apportionment and property taxes are the primary sources of non-capital financing activities.

The purchase and construction of capital assets is the main use of cash for capital and related financing activities.

Investment activities relate primarily to interest earned on balances in the county treasury.

Economic and Financial Factors Affecting the Future of State Center Community College District

The late passage of the 2010-11 State Budget by the Legislature and the Governor of California, hit an all-time record of 100 days. With the weak State economy, higher than national unemployment rate, and coupled with a dismal housing economy, the State of California's General Fund revenue has been hit quite hard. Legislating in these difficult times has left both parties trying to placate their constituency groups with little compromising coming from either party. This environment will be tested further as the State economy continues with projected weak growth and the recent election results of two propositions. Proposition 22, which limits the State's ability to borrow money from other funds, and Proposition 26, which requires certain state and local fees to be approved by two-thirds vote, will place additional constraints on the Legislature. According to the nonpartisan Legislative Analyst's Office, these two propositions will cost the General Fund approximately $1.0 billion annually. The only good news is the impact will not hit the General Fund until 2012-13. The other potentially positive news is that the voters of California have given the Legislature more leeway in passing a budget by now only requiring a simple majority vote (Proposition 25) instead of two-thirds. How all this plays out in next year's budget is hard to tell. One thing is clear; the economy is too weak to provide additional revenue to the State.
The 2010-11 State Budget provides $126 million for growth funds to the community college system to partially restore the prior year Workload FTES cut. At the same time, it will increases inter-year deferrals by $129 million. The interesting details of the growth funds are that payment is tied to the inclusion of the $129 million in the 2011-12 State Budget. There is no guarantee that if a district expends the growth funds in 2010-11, the legislature will approve these funds in the following year's budget. This is difficult to bank-on when the UCLA and Legislative Analyst Office's forecast for the State paints a less than rosy economic picture for 2011-12.

Another area of concern is the retirement pension costs of the two pension systems impacting California Community Colleges: CalPERS (California Public Employees' Retirement System) and CalSTRS (California State Teachers' Retirement System). The two systems each lost approximately $25 billion two years ago. Although they have had favorable low double digit returns for the past year, both systems will need increased contribution rates to meet their future obligation costs.

The CalPERS system recently revised their employer contribution rates upwards with the following rates for the following years: 9.709% for 2009-10; 10.707% for 2010-11; 11.6% for 2011-12; 13.7% for 2012-13; and 14% for 2013-14.

The CalSTRS system cannot unilaterally increase employer and employee contribution rates; this requires legislative action. To date, the employer contribution rate for 2010-11 has not changed and remains at 8.25%; however, moving forward it appears the CalSTRS Retirement Program will need to revise their rates for both employees and employers. It is a very political issue, but without increased contribution rates or changes to the plan, the retirement system will have a difficult time meeting its obligations to retirees.

The real question will be whether both retirement systems place the financial burden solely on the employers, or will the burden be shared with increased contribution rates by employees as well. Just recently, there has been considerable discussion of creating a new tier of benefits (lower retiree benefits) for newly hired State employees as well as other adjustments to the pension plans of California public employees as the call for pension reform gains momentum.

Cost increases in employee health benefits continue to be a major concern for the District. The District is part of the Fresno Area Self-Insurance Benefits Organization (FASBO), a self-insured Joint Powers Authority (JPA) with two local K-12 partners for health-related benefits of medical, dental, and vision. Employees also choose between two other medical providers—Health Net and Kaiser. Over the past few years, industry medical premium increases have been in the double digits due in a large part to escalating prescription costs. The dental and vision premiums have remained stable for several years with no contribution increases. The medical premiums, as described, could have seen increases in costs had the District and employee groups not negotiated to increase co-pays and deductibles in an effort to maintain the medical premium below the negotiated District maximum contribution.

The Budget outlook for the next few years looks to be more challenging than the past year. Although economists are stating the recession has ended, the State of California is predicted to be one of the last states to experience recovery. This is due in a large part to the Legislature's unwillingness to address the real crux of the problem; California continues to spend more money than it generates in revenue. For several years, the legislative solution has been to inflate revenue projections, underestimate expenditure projections, defer payments, and decrease funding allocations to education at a time when education is most needed to retrain an unemployed workforce and educate the workforce of the future.

As Governor-elect Brown enters the first year of his term, the State's General Fund has a $25.4 billion two-year deficit projected by the Legislative Analyst Office. This two-year deficit is comprised of a current year projected funding shortfall of $6.1 billion and a $19.3 billion gap between projected revenues and spending for 2011-12.

In closing, the economy of California lags behind the nation, revenue projections continue to fall below budget estimates, and expenditures continue to outpace the budgeted allocation. This will continue for the next few years and, as a result, the revenue stream to the District from the State will shrink at a time when services are most needed. The District will need to sharpen its pencil and look critically at what level of service it can provide, or what services it needs to provide, to an increased population of students. The Board of Trustees and management have weathered these financial storms in the past and, as always, prudent fiscal management practices will remain in place to ensure the District has adequate reserves to sustain operations during these difficult budget times.

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2010

ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	$ 41,917,945
Investments (Note 2)	28,931
Accounts receivable, net (Note 3)	28,181,767
Prepaid expenses	439,951
Stores inventories	1,848,627
Total current assets	72,417,221
Noncurrent assets:	
Restricted cash and cash equivalents (Note 2)	37,794,616
Capital assets, net (Notes 4)	288,029,262
Total noncurrent assets	325,823,878
Total assets	$ 398,241,099
LIABILITIES	
Current liabilities:	
Accounts payable	$ 16,615,323
Deferred revenue (Note 5)	8,301,226
Amounts held in trust	935,198
Compensated absences payable - current portion (Note 6)	3,441,019
Long-term debt - current portion (Note 6)	2,897,424
Total current liabilities	32,190,190
Noncurrent liabilities:	
Long-term debt - noncurrent portion (Note 6)	111,770,432
Total liabilities	143,960,622
Commitments and contingencies (Note 11)	
NET ASSETS	
Invested in capital assets, net of related debt	196,263,297
Restricted for:	
Debt service	18,444
Capital projects	9,922,615
Educational programs	1,394,600
Self insurance	10,321,919
Other activities	484,127
Unrestricted	35,875,475
Total net assets	254,280,477
Total liabilities and net assets	$ 398,241,099

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

STATE CENTER COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT -
STATE CENTER COMMUNITY COLLEGE FOUNDATION
(A Nonprofit Organization)

STATEMENT OF NET ASSETS

June 30, 2010

ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	$ 138,566
Accounts receivable (Note 3)	17,991
Pledges receivable, net (Note 3)	90,764
Short term investments (Note 2)	739,706
Total current assets	987,027
Noncurrent assets:	
Pledges receivable, net of current portion (Note 3)	27,672
Investments (Note 2)	10,643,321
Total noncurrent assets	10,670,993
Total assets	$ 11,658,020
LIABILITIES	
Accounts payable and accrued liabilities	$ 62,443
Annuity agreement liabilities	2,518
Total liabilities	64,961
NET ASSETS	
Net assets:	
Unrestricted	267,920
Temporarily restricted	6,105,224
Permanently restricted	5,219,915
Total net assets	11,593,059
Total liabilities and net assets	$ 11,658,020

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

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

June 30, 2010

Operating revenues:	
Tuition and fees	$ 24,806,544
Less: scholarship discounts and allowances	(13,342,531)
Net tuition and fees	11,464,013
Grants and contracts, non-capital:	
Federal	77,658,011
State	16,489,268
Local	2,731,916
Auxiliary enterprise sales and charges:	
Bookstore	3,122,977
Cafeteria	664,482
Other operating local revenues	1,398,576
Total operating revenues	113,529,243
Operating expenses (Note 13):	
Salaries	111,451,921
Employee benefits (Notes 8 and 9)	32,492,092
Supplies, materials, and other operating expenses and services	25,645,416
Equipment, maintenance and repairs	2,504,906
Student financial aid	72,001,212
Depreciation (Note 4)	5,926,150
Total operating expenses	250,021,697
Loss from operations	(136,492,454)
Non-operating revenues (expenses):	
State apportionment, non-capital	94,875,306
Local property taxes (Note 7)	37,971,820
State taxes and other revenues	4,093,082
Investment income, net	939,500
Interest expense on capital asset-related debt	(5,742,707)
Interest income on capital related debt	917,845
Other non-operating revenues, net	1,004,871
Total non-operating revenues (expenses)	134,059,717
Loss before capital revenues	(2,432,737)
Capital revenues:	
State revenue, capital	1,149,936
Local revenues, capital	1,105,172
Total capital revenues	2,255,108
Decrease in net assets	(177,629)
Net assets, beginning of year, as previously stated	255,203,494
Restatement (Note 14)	(745,388)
Net assets, beginning of year, as restated	254,458,106
Net assets, June 30, 2010	$ 254,280,477

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

STATE CENTER COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT -
STATE CENTER COMMUNITY COLLEGE FOUNDATION
(A Nonprofit Organization)

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

For the Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Contributions	$ 136,839	$ 1,841,586	$ 160,019	$ 2,138,444
Interest and dividend income	11,530	98,680	104,961	215,171
Realized gain (loss) on investments	759	(42,958)	20,784	(21,415)
Unrealized gain on investments	24,443	465,464	395,334	885,241
Net assets released from restrictions:				
Satisfaction of program restrictions	2,765,058	(2,765,058)		
Income reallocations		106,194	(106,194)	
Total revenues	2,938,629	(296,092)	574,904	3,217,441
Expenses:				
Program services:				
Educational activities	2,447,800			2,447,800
Scholarships and awards	363,161			363,161
Management and general	74,760			74,760
Fundraising	66,871			66,871
Total expenses	2,952,592			2,952,592
Change in net assets	(13,963)	(296,092)	574,904	264,849
Net assets, July 1, 2009	281,883	6,401,316	4,645,011	11,328,210
Net assets, June 30, 2010	$ 267,920	$ 6,105,224	$ 5,219,915	$ 11,593,059

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

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2010

Cash flows from operating activities:	
Tuition and fees	$ 11,469,311
Grants and contracts	96,806,691
Payments of scholarships and grants	(71,621,221)
Payments to suppliers and vendors	(30,393,206)
Payments to and on behalf of employees	(141,828,700)
Auxiliary enterprises sales and charges	4,377,903
Net cash used in operating activities	(131,189,222)
Cash flows from noncapital financing activities:	
State appropriations	90,826,393
Local property taxes	37,971,820
State taxes and other revenues	4,133,693
Other non-operating revenues	2,541,077
Net cash provided by noncapital financing activities	135,472,983
Cash flows from capital and related financing activities:	
State apportionments for capital purposes	12,331,210
Capital grants received	1,105,172
Purchase of capital assets	(32,296,557)
Proceeds from capital debt	20,000,000
Principal paid on capital debt and leases	(1,210,968)
Interest paid on capital debt, and leases, net	(4,335,763)
Net cash used in capital and related financing activities	(4,406,906)
Cash flows from investing activities:	
Investment income	912,241
Purchase of investments	5,819
Net cash provided by investing activities	918,060
Net increase in cash and cash equivalents	794,915
Cash balance, beginning of year	78,917,646
Cash balance, end of year	$ 79,712,561

(Continued)

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2010

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (136,492,454)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	5,926,150
Changes in assets and liabilities:	
Receivables, net	(495,347)
Prepaid expenses	(180,085)
Inventories	989,498
Accounts payable and accrued liabilities	(3,753,962)
Deferred revenue	701,665
Other postemployment benefits and compensated absences	2,115,313
Net cash used in operating activities	$ (131,189,222)

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

STATE CENTER COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT -
STATE CENTER COMMUNITY COLLEGE FOUNDATION
(A Nonprofit Organization)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2010

Cash flows from operating activities:	
Change in net assets	$ 264,849
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Realized loss on investments	21,415
Unrealized gain on investments	(885,241)
Contributions for long-term investments	(160,019)
Changes in assets and liabilities:	
Accounts receivable	(17,500)
Pledges receivable	333,638
Accounts payable and accrued liabilities	31,146
Net cash used in operating activities	(411,712)
Cash flows from investing activities:	
Purchase of investments	(8,880,320)
Proceeds from sale of investments	8,465,660
Net cash used in investing activities	(414,660)
Cash flows from financing activities:	
Payments on annuity obligations	(8,749)
Contributions restricted for long-term investment	160,019
Net cash provided by financing activities	151,270
Net decrease in cash and cash equivalents	(675,102)
Cash and cash equivalents - beginning of year	813,668
Cash and cash equivalents - end of year	$ 138,566

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and GASB Cod. Sec. 2100.101 as amended by GASB Cod. Sec. 2100.138. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. The District identified the State Center Community College Foundation (the "Foundation") as its potential component units.

The Foundation is a nonprofit, tax-exempt organization dedicated to providing financial benefits generated from fundraising efforts and investments earnings to the District. The funds contributed by the Foundation to the District are significant to the District's financial statements. The District applied the criteria for identifying component units in accordance with GASB Cod. Sec. 2100.138 and therefore, the District has classified the Foundation as a component unit that will be discretely presented in the District's financial statements.

Basis of Presentation

GASB released Cod. Sec. 2200.101 in June 1999, which established a new reporting format for annual financial statements. In November 1999, GASB released Cod. Sec. Co5.101 which applies the new reporting standards of GASB Cod. Sec. 2200.190-.191 to public colleges and universities. The GASB then amended those statements in June 2001 with the issuance of GASB Cod. Sec. 2200 and 2300. The District adopted and applied these new standards beginning in 2001-02 as required. In May 2002, the GASB released Cod. Sec. 2100.138 which amends GASB Cod. Sec. 2100.119-.140, to provide guidance for determining and reporting whether certain organizations are component units. The District adopted and applied this standard for the 2003-04 fiscal year as required. The District now follows the financial statement presentation required by the aforementioned provisions. This presentation provides a comprehensive, entity-wide perspective of the District's assets, cash flows, and replaces the fund-group perspective previously required.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Under this model, the District's financial statements provide a comprehensive one-line look at its financial activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. All significant intra-agency transactions have been eliminated.

The Foundation's financial statements are prepared on the accrual basis of accounting. Recognition of contributions is dependent upon whether the contribution is restricted or unrestricted. Net assets are classified on the Statement of Net Assets as unrestricted, temporarily restricted or permanently restricted net assets based on the absence or existence of donor-imposed restrictions.

The District records revenues when earned and expenses when a liability is incurred regardless of the timing of the related cash flow. The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office's *Budget and Accounting Manual.*

The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after that date.

Cash and Cash Equivalents

For the purposes of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the Fresno County Treasury are considered cash equivalents.

Restricted Cash and Cash Equivalents

Cash that is externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, is classified as non current assets in the statement of net assets.

Fair Value of Investments

The District records its investment in Fresno County Treasury at fair value. Changes in fair value are reported as revenue in the Statement of Revenues, Expenses and Change in Net Assets. The fair value of investments, including the Fresno County Treasury external investment pool, at June 30, 2010 approximated their carrying value.

The Foundation's investments are valued at fair market value based upon quoted market prices, when available, or estimates of fair value in the Statement of Net Assets and unrealized and realized gains and losses are included in the Statement of Revenues, Support, Expenses and Change in Net Assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. 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 provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. The allowance is based upon management's estimates and analysis. The allowance was estimated at $1,001,977 for the year ended June 30, 2010.

Pledges Receivable

Pledges receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. An allowance for uncollectible pledges receivable is established based upon estimated losses related to specific amounts and is recorded through a provision for bad debt which is charged to expense. The allowance for uncollectible pledges receivable totaled $56,456 at June 30, 2010. Unconditional promises to give that are expected to be collected with future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable in the years in which those promises are received. As of June 30, 2010, the Foundation has applied a discount rate of 7.0% to all contributions expected to be received in future years greater than one year.

Inventory

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition or, if donated, at fair market value at the date of donation. For equipment, the District's capitalization policy included all items with a unit cost of $10,000 or more and $49,000 for buildings and improvements. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs 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 lives of the assets ranging from 5 – 50 years depending on asset type.

The District evaluates capital assets for financial impairment as events or changes in circumstances indicate that the carrying amounts of such assets may not be fully recoverable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Accumulated Sick Leave

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRS and PERS employees, when the employee retires.

Deferred Revenue

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

Net Assets

The District's net assets are classified as follows:

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

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

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

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District typically first applies the expense toward restricted resources, then to unrestricted resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

The Foundation's net assets are classified as follows:

Unrestricted: Unrestricted net assets consist of all resources of the Foundation, which have not been specifically restricted by a donor.

Temporarily restricted: Temporarily restricted net assets consist of cash and other assets received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Revenues, Support, Expenses, and Change in Net Assets as net assets released from restriction.

Permanently restricted: Permanently restricted net assets are nonexpendable net assets consisting of endowment and similar type funds in which the donor has stipulated as condition of the gift, that the principal be maintained in perpetuity.

The Foundation's endowment assets consist of individual funds established for the purpose to provide financial support to the Foundation in perpetuity. The endowment assets include donor-restricted endowment funds. Net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard prudence prescribed by UPMIFA.

The Foundation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix, which includes premium investment grade mutual bond funds and equity securities, that is intended to result in a consistent inflation-protected rate of return. Accordingly, the Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 4.5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

The Foundation uses a method based upon the total return on assets to determine the amounts appropriated for expenditures for endowments under which the organization is the income beneficiary in conformity with UPMIFA. To satisfy its long-term rate-of-return objectives, the Foundation seeks investment returns through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that includes equity and debt investments to achieve its long-term return objectives within prudent risk constraints.

State Apportionments

Certain current year apportionments from the state are based on various financial and statistical information of the previous year. Prior year corrections due to the recalculation in February 2010 will be recorded in the year completed by the state.

On-Behalf Payments

GASB Cod. Sec. 2200.190-.191 requires that direct on-behalf payments for benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers and Public Employees Retirement Systems on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments.

Classification of Revenue

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

Operating revenues: 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: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources described in GASB Cod. Sec. Co5.101, such as State appropriations and investment income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Scholarship Discounts and Allowances

Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses and change in net assets. Scholarship discounts and allowances represent the difference between stated charges for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state and nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

Estimates

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

New Financial Accounting Pronouncements

The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

In March 2009, the GASB issued Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) 1000, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (GASB Cod. Sec. 1000). This Statement is intended to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standard's Board (GASB) authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The adoption of this update did not have a material impact on the District's net assets, change in net assets and cash flows.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Financial Accounting Pronouncements (Continued)

Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards

In March 2009, the GASB issued GASB Cod. Sec. 2250, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards (GASB Cod. Sec. 2250). The objective of this Statement is to incorporate into the GASB authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statement on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. This Statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) in the GASB standards. The adoption of this Statement did not have a material impact on the District's net assets, change in net assets and cash flows.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 2010, consisted of the following:

Pooled Funds:	
Cash in County Treasury	$ 31,889,782
Deposits:	
Cash on hand and in banks	10,698,821
Cash held by Fiscal Agent	37,123,958
Total cash and cash equivalents	79,712,561
Less: restricted cash and cash equivalents:	
Cash held by Fiscal Agent	37,123,958
Cash held in trust	670,658
Total restricted cash and cash equivalents	37,794,616
Net cash and cash equivalents	$ 41,917,945

Foundation cash and cash equivalents at June 30, 2010, totaled $138,566.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Fresno County Treasury. The County pools and invests the cash. Those pooled funds are carried at fair value, which approximates cost.

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

The District's deposits in the fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The Fresno County Treasurer has indicated that there are no derivatives in the pool as of June 30, 2010.

District investments at June 30, 2010 consisted of the following:

Certificates of deposit	$ 21,973
Mutual funds	6,958
Total investments	$ 28,931

Cash with Fiscal Agent

Cash with Fiscal Agent of $37,123,958 is held by a trustee for the improvement of campus facilities and debt service.

Cash Held in Trust

Cash held in trust of $670,658 relates to agency funds held by the District on behalf of others.

Custodial Credit Risk

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District. All cash held by financial institutions is entirely insured or collateralized.

Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2010, the carrying amount of the District's cash on hand and in banks was $10,698,821 and the bank balance was $10,758,489. The bank balance amount insured by the FDIC was $304,139.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

The Foundation maintains substantially all of its cash in banks and are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2010, the bank balance of the Foundation's cash in banks was $315,109 of which $250,000 was insured by the FDIC.

Credit Risk

The table below identifies the investment types authorized for the District by the California Government Code Section 53601. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentrations of credit risk.

Authorized Investment Type	Maximum Maximum Maturity	Maximum Percentage of Portfolio	Investment in One Issuer
Local Agency Bonds or Notes	5 years	None	None
Registered State Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds (LAIF)	N/A	None	None
Joint Power Authority Pools	N/A	None	None

Interest Rate Risk

The District and Foundation's investment policies do not limit cash and investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. At June 30, 2010, the District and Foundation had no significant interest rate risk related to cash and investments held.

Concentration of Credit Risk

The District and Foundation do not place limits on the amount they may invest in any one issuer. At June 30, 2010, the District and Foundation had no concentration of credit risk.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Foundation Investments

Foundation investments at June 30, 2010 consisted of the following:

California Local Agency Investment Fund	$ 739,706
American Funds	227,169
YCM Net Advisors	10,413,634
Other investments	2,518
Total	11,383,027
Less: short term investments	(739,706)
Noncurrent investments	$ 10,643,321

Foundation investment income consisted of the following:

Interest and dividend income	$ 215,171
Realized loss on investments	(21,415)
Unrealized gain on investments	885,241
Total	$ 1,078,997

Interest and dividends (net of management fees) and realized losses earned on permanently restricted endowments, governed by U.S. Department of Education Title III Regulations, is credited one-half to permanently restricted net assets and the other half is credited to temporarily restricted net assets and available for funding scholarship or student activity needs of the campuses.

The following presents information about the Foundation's assets and liabilities measured at fair value on a recurring basis as of June 30, 2010, and indicates the fair value hierarchy of the valuation techniques utilized by the Foundation to determine such fair value based on the hierarchy:

Level 1 - Quoted market prices or identical instruments traded in active exchange markets.

Level 2 - Significant other observable inputs such as quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect a reporting entity's own assumptions about the methods that market participants would use in pricing an asset or liability.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Foundation Investments (Continued)

The Foundation is required or permitted to record the following assets at fair value on a recurring basis:

Description	Fair Value	Level 1	Level 2	Level 3
Investment:				
California Local Agency Investment Fund	$ 739,706	$ 739,706		
American Funds	227,169	227,169		
YCM Net Advisors	10,413,634	10,413,634		
Other investments	2,518	2,518		
Pledges receivable	118,436			$ 118,436
Total	$11,501,463	$11,383,027	$ -	$ 118,436

Certain investments were classified as Level 3 due to the use of unobservable inputs and assumptions in fair value measurements. A summary of changes in fair value of the Foundation's Level 3 assets for the year ended June 30, 2010 is as follows:

Pledges receivable, July 1, 2009	$ 452,074
Additions to pledges receivable	27,240
Payments on pledges receivable	(360,878)
Pledges receivable, June 30, 2010	$ 118,436

The Foundation had no non recurring assets and no liabilities at June 30, 2010, which were required to be disclosed using the fair value hierarchy.

3. ACCOUNTS AND PLEDGES RECEIVABLE

Accounts Receivable

District accounts receivable at June 30, 2010 are summarized as follows:

Federal	$ 2,636,249
State	23,252,304
Local and other	3,295,191
	29,183,744
Less allowance for doubtful accounts	(1,001,977)
	$ 28,181,767

3. ACCOUNTS AND PLEDGES RECEIVABLE (Continued)

Accounts Receivable (Continued)

At June 30, 2010 the Foundation had $17,991 in accounts receivable due from local sources.

Pledges Receivable

Pledges receivable with the Foundation as of June 30, 2010 consist of the following:

Pledges receivable	$ 177,172
Less: Discount	(2,280)
Less: Allowance for uncollectible pledges	(56,456)
Total	118,436
Less: short term pledges receivable	(90,764)
Pledges receivable, net of current portion	$ 27,672

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2009	Additions and Transfers	Deductions and Transfers	Balance June 30, 2010
Non-depreciable:				
Land	$ 31,646,516			$ 31,646,516
Construction in progress	78,436,865	$ 32,591,286	$ (57,880,742)	53,147,409
Depreciable:				
Land improvements	20,181,370			20,181,370
Buildings and improvements	174,455,695	56,514,291	(877,059)	230,092,927
Furniture and equipment	9,925,519	1,071,722	(93,600)	10,903,641
Vehicles	2,103,424		(27,000)	2,076,424
Total	316,749,389	90,177,299	(58,878,401)	348,048,287
Less accumulated depreciation:				
Land improvements	1,116,604			1,116,604
Buildings and improvements	45,672,579	5,209,606	(799,098)	50,083,087
Furniture and equipment	6,652,060	595,484	(93,600)	7,153,944
Vehicles	1,571,330	121,060	(27,000)	1,665,390
Total	55,012,573	5,926,150	(919,698)	60,019,025
Capital assets, net	$ 261,736,816	$ 84,251,149	$ (57,958,703)	$ 288,029,262

5. DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

Deferred Federal and State revenue	$ 2,414,345
Deferred tuition and student fees	4,730,270
Deferred local grant revenue and other	1,156,611
Total deferred revenue	$ 8,301,226

6. LONG-TERM LIABILITIES

General Obligation Bonds

In November 2002, the constituents of the District approved Measure E authorizing the District to issue $161,000,000 in general obligation bonds. As of June 30, 2010, the District has issued $131,000,000 of Measure E bonds.

During May 2003, the District issued the 2002 General Obligation Bonds, Series 2003A in the amount of $20,000,000. The bonds mature beginning on August 1, 2004 through August 1, 2027, with interest yields ranging from 2.00 to 5.00 percent. At June 30, 2010, the principal outstanding was $13,610,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2003A outstanding as of June 30, 2010, are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	$ 500,000	$ 615,263	$ 1,115,263
2012	525,000	589,638	1,114,638
2013	550,000	562,763	1,112,763
2014	575,000	534,638	1,109,638
2015	605,000	505,138	1,110,138
2016-2020	3,495,000	2,060,938	5,555,938
2021-2025	4,290,000	1,248,369	5,538,369
2026-2028	3,070,000	235,250	3,305,250
	$ 13,610,000	$ 6,351,997	$ 19,961,997

During June 2004, the District issued the 2002 General Obligation Bonds, Series 2004A in the amount of $25,000,000. The bonds mature beginning on August 1, 2005 through August 1, 2028, with interest yields ranging from 3.00 to 5.25 percent. At June 30, 2010, the principal outstanding was $16,465,000 and unamortized premium was $616,055. Premiums are amortized over the life of the bonds as a component of interest expense on the bonds.

6. **LONG-TERM LIABILITIES** (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2004A outstanding as of June 30, 2010, are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	$ 555,000	$ 822,575	$ 1,377,575
2012	575,000	799,975	1,374,975
2013	600,000	776,475	1,376,475
2014	625,000	751,975	1,376,975
2015	650,000	726,475	1,376,475
2016-2020	3,750,000	3,095,400	6,845,400
2021-2025	4,840,000	1,977,544	6,817,544
2026-2029	4,870,000	551,619	5,421,619
	$ 16,465,000	$ 9,502,038	$ 25,967,038

During June 2007, the District issued the 2002 General Obligation Bonds, Series 2007A in the amount of $66,000,000. The bonds mature beginning on August 1, 2008 through August 1, 2031, with interest yields ranging from 4.00 to 5.00 percent. At June 30, 2010, the principal outstanding was $63,500,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2007A outstanding as of June 30, 2010, are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	$ 105,000	$ 3,106,025	$ 3,211,025
2012	340,000	3,097,125	3,437,125
2013	475,000	3,080,825	3,555,825
2014	620,000	3,058,925	3,678,925
2015	775,000	3,031,025	3,806,025
2016-2020	6,680,000	14,472,363	21,152,363
2021-2025	13,095,000	12,144,625	25,239,625
2026-2030	25,340,000	7,657,000	32,997,000
2031-2032	16,070,000	813,250	16,883,250
	$ 63,500,000	$ 50,461,163	$113,961,163

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

During July 2009, the District issued the 2002 General Obligation Bonds, Series 2009A in the amount of $10,000,000. The bonds mature beginning on August 1, 2010 through August 1, 2025, with interest yields ranging from 3.00 to 5.25 percent. At June 30, 2010, the principal outstanding was $10,000,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2009A outstanding as of June 30, 2010, are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	$ 1,705,000	$ 395,863	$ 2,100,863
2012	1,820,000	342,613	2,162,613
2013	210,000	311,788	521,788
2014	240,000	302,638	542,638
2015	275,000	292,513	567,513
2016-2020	1,900,000	1,237,581	3,137,581
2021-2025	3,060,000	632,975	3,692,975
2026	790,000	20,738	810,738
	$ 10,000,000	$ 3,536,709	$ 13,536,709

During July 2009, the District issued the 2002 General Obligation Bonds, Series 2009B in the amount of $10,000,000. The Series 2009B bonds are designated "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). Pursuant to the Recovery Act, the District expects to receive a cash subsidy payment from the U.S. Treasury equal to 35% of the interest payable on the Series 2009B Bonds on or about each interest payment date. The bonds mature beginning on August 1, 2026 through August 1, 2033, with an interest yield of 8.00 percent. At June 30, 2010, the principal outstanding was $10,000,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2009 B outstanding as of June 30, 2010, are as follows:

Year Ending June 30,	Principal	Interest	Total
2011		$ 800,000	$ 800,000
2012		800,000	800,000
2013		800,000	800,000
2014		800,000	800,000
2015		800,000	800,000
2016-2020		4,000,000	4,000,000
2021-2025		4,000,000	4,000,000
2026-2030	$ 4,275,000	3,347,800	7,622,800
2031-2034	5,725,000	956,600	6,681,600
	$ 10,000,000	$ 16,304,400	$ 26,304,400

6. LONG-TERM LIABILITIES (Continued)

Energy Loans

On December 28, 2001, the District completed an energy conservation project utilizing a low-interest loan through the California Energy Commission. The loan interest rate was 3.00 percent and semi-annual payments were due in June and December. The loan was repaid in June 2010.

Changes in Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2010 is as follows:

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Amounts Due Within One Year
General Obligation Bonds	$ 94,580,000	$ 20,000,000	$ 1,005,000	$ 113,575,000	$ 2,865,000
Premium on General Obligation Bonds	648,479		32,424	616,055	32,424
Energy loans	173,544		173,544		
Other postemployment benefits (Note 9)		476,801		476,801	
Compensated absences	3,376,547	64,472		3,441,019	3,441,019
	$ 98,778,570	$ 20,541,273	$ 1,210,968	$ 118,108,875	$ 6,338,443

7. PROPERTY TAXES

All property taxes are levied and collected by the Tax Assessors of the Counties of Fresno, Madera, Tulare and Kings and paid upon collection to the various taxing entities including the District. Secured taxes are levied on July 1 and are due in two installments on November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date for secured and unsecured property taxes is March 1 of the preceding fiscal year.

8. EMPLOYEE RETIREMENT SYSTEMS

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

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

State Teachers' Retirement System (STRS)

Plan Description

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

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

Funding Policy

Active members of the DB Plan are required to contribute 8.0% of their salary while 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-2010 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of 4% with the sum of the district and employee contribution always being equal or greater than 8%.

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

State Teachers' Retirement System (STRS) (Continued)

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2010, 2009, and 2008 were $5,511,817, $5,554,809 and $5,362,066, respectively, and equals 100% of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements. In their most recent actuarial valuation of the DB Plan as of June 30, 2008, the independent actuaries for STRS determined that, at June 30, 2008, the actuarial value of the DB program's actuarial accrued liabilities exceeded the program's actuarial value of assets by $22.5 billion. Based on this valuation, the current statutory contributions are sufficient to fund normal cost and amortize the actuarial unfunded obligation of $22.5 billion by 2030. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors. In their most recent actuarial valuation of the CB Plan as of June 30, 2008, the independent actuaries for STRS determined that, at June 30, 2008, the actuarial value of the CB program's actuarial value of assets exceeded the program's accrued liabilities by $861,000. The STRS management is continually evaluating the impact of market fluctuations on the assets of the CB program. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors.

California Public Employees' Retirement System (CalPERS)

Plan Description

All full-time classified employees participate in CalPERS, a multiple employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is less if the plan is coordinated with Social Security. Retirement after age 55 increases the monthly benefit percentage rate to a maximum of 2.5 percent at age 63. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation. The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. 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 P Street, Sacramento, California 95814.

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees' Retirement System (CalPERS) (Continued)

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the district is required to contribute an actuarially determined rate. The District's contribution rate to CalPERS for fiscal year 2002-03 was 2.894% beginning with the first pay period ending July 2002; CalPERS then lowered the rate to 2.771% beginning with the first pay period ending in February 2003. On May 16, 2003, CalPERS approved a school employer contribution rate of 10.42% beginning with the first pay period that ended in July 2003. The required employer contribution rate for fiscal year 2009-2010 was 9.709% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2010, 2009, 2008 were $3,089,719, $3,012,166 and $2,961,719, respectively, and equaled 100 percent of the required contributions for each year. The actuarial assumptions used as part of the June 30, 2001, actuarial valuation (the most recent actuarial information available) included (a) an 8.25% investment rate of return (net of administrative expense); (b) an overall growth in payroll of 3.75% annually; and (c) an inflation component of 3.5% compounded annually that is a component of assumed wage growth, and assumed future post-retirement cost of living increases. The actuarial value of pension fund assets was determined by using a technique to smooth the effect of short-term volatility in the market value of investments.

9. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for employees participating in CalPERS is a minimum age of 50 and a minimum ten years of continuous service with the District. Benefits are paid until age 65 for retirees with 10-14 years of service, are paid till age 70 for retirees with 15-19 years of service and for life if they have 20 or more years of service. The District has an annual cap on their obligations totaling $2,400 a year for retirees under age 65. Retirees over age 65 are capped at $1,600 per year, increasing two percent per year from 2000. An amount totaling $800 per year is paid to retirees in groups CSEA 1979-84 and CSEA 1984-87. Additional age and service criteria may be required. The eligibility requirement for employees participating in CalSTRS is a minimum age of 55 with ten years of service with the District. Benefits are paid until age 65 for retirees with 10-14 years of service and are paid for the retiree's lifetime if they have 15 or more years of service. The District has an annual cap on their obligations totaling $2,400 a year for retirees under age 65. Retirees over age 65 are capped at $1,500 per year, increasing two percent per year from 1987. For the bargaining unit group AFT 1983-84 ERI, the full cost of benefits are paid. An amount totaling $800 per year is paid to retirees in groups AFT 1981-83 and AFT 1978-79. Additional age and service criteria may be required.

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Annual required contribution	$ 3,076,964
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	3,076,964
Contributions made	1,026,123
Increase in net OPEB obligation	2,050,841
Net OPEB asset - beginning of year, as previously stated	(395,610)
Restatement (Note 14)	(1,178,430)
Net OPEB (asset) - beginning of year, as restated	(1,574,040)
Net OPEB liability - end of year	$ 476,801

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the preceding year was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	$ 2,928,179	225.3%	$ (3,670,375)
June 30, 2009	$ 3,076,964	31.9%	$ (1,574,040)
June 30, 2010	$ 3,076,964	33.3%	$ 476,801

As of July 1, 2008, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $31.0 million, and the actuarial value of assets was $5.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of $25.2 million. The covered payroll (annual payroll of active employees covered by the Plan) was $81.7 million, and the ratio of the UAAL to the covered payroll was 30.8 percent.

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

In the July 1, 2008, actuarial valuation, the unprojected unit credit method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 6.0 percent. Both rates include a 2.0 percent salary increase assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a fifteen-year period. The UAAL is being amortized as a level percentage of projected payroll on an closed basis. The remaining amortization period at June 30, 2010, was 28 years.

10. ENDOWMENT NET ASSETS - FOUNDATION

Changes in endowment net assets for the fiscal year ended June 30, 2010, consisted of the following:

Permanently restricted endowment net assets, beginning of year	$ 4,645,011
Investment return:	
Interest and dividends, net of expenses	104,961
Realized gain on sale of investments	20,784
Unrealized gain on investments	395,334
Net investment return	521,079
Contributions	160,019
Release of endowment earnings for program purposes	(106,194)
Permanently restricted endowment net assets, end of year	$ 5,219,915

11. COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

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

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

Construction Commitments

As of June 30, 2010, the District has approximately $4.3 million in outstanding commitments on construction contracts.

12. JOINT POWERS AGREEMENTS

State Center Community College District participates in Joint Power Agreements (JPAs), with Valley Insurance Program (VIP) and Fresno Area Self-Insured Benefit Organization (FASBO). The relationship between State Center Community College District and the JPAs is such that the JPAs are not component units of State Center Community College District for financial reporting purposes.

12. JOINT POWERS AGREEMENTS (Continued)

The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including the selection of management and approval of operating budgets, independent of any influence by the member district beyond their representation on the governing board. VIP provides workers' compensation insurance and FASBO provides employee medical benefits. State Center Community College District pays a premium commensurate with the level of coverage requested.

Member districts share surpluses and deficits proportionate to their participation in the JPAs. The JPAs are independently accountable for their fiscal matters and maintain their own accounting records. Budgets are not subject to any approval other than that of the governing board.

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

	VIP June 30, 2009	FASBO June 30, 2009
Total assets	$ 23,541,821	$ 7,136,321
Total liabilities	$ 12,835,314	$ 2,609,568
Net assets	$ 10,706,507	$ 4,526,753
Total revenues	$ 6,317,932	$ 17,061,262
Total expenses	$ 5,806,121	$ 16,752,528
Change in net asset	$ 511,811	$ 308,734

13. OPERATING EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2010.

Functional Classifications	Salaries	Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Equipment Maintenance, and Repairs	Financial Aid	Depreciation	Total
Instruction	$ 58,154,439	$ 14,125,894	$ 3,960,727	$ 297,651			$ 76,538,711
Academic Support	13,085,004	3,990,535	2,537,643	945,397			20,558,579
Student Services	18,486,573	5,692,992	2,825,804	145,067			27,150,436
Operations and Maintenance of Plant	4,726,503	2,292,415	6,269,437	97,827			13,386,182
Institution Support	10,899,884	4,269,743	5,099,168	917,187			21,185,982
Community Support	1,059,570	291,967	1,037,294	9,433			2,398,264
Ancillary Services	5,039,948	1,828,546	3,913,701	92,344		$ 105,743	10,980,282
Student Aid			1,642		$ 72,001,212		72,002,854
Depreciation						5,820,407	5,820,407
	$ 111,451,921	$ 32,492,092	$ 25,645,416	$ 2,504,906	$ 72,001,212	$ 5,926,150	$ 250,021,697

14. RESTATEMENT

Other Postemployment Benefits

It was determined that losses on investments related to the irrevocable trust fund for other postemployment benefits was incorrectly applied to the District's Statement of Activities for fiscal years June 30, 2009 and 2008. In addition, premiums paid for fiscal year 2009 were not reflected in the Statement of Activities for the year ended June 30, 2009.

General Obligation Bonds

It was also determined that accrued interest payable on General Obligation Bonds as of July 1, 2009 was understated by $1,923,818 resulting in an overstatement of the District's July 1, 2009 net assets.

Net assets as of July 1, 2009 have been adjusted for the following:

Premiums paid for fiscal year June 30, 2009	$ 743,063
Investment loss for fiscal year June 30, 2009	414,917
Investment loss for fiscal year June 30, 2008	20,450
Total restatement for other postemployment benefits	1,178,430
Interest expense related to previous fiscal years	(1,923,818)
Total restatement	$ (745,388)

15. SUBSEQUENT EVENTS

The District has reviewed all events occurring from June 30, 2010 through November 29, 2010, the date the financial statements were issued. No subsequent events occurred requiring accrual or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS

For the Year Ended June 30, 2010

Schedule of Funding Progress

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2008	July 2, 1007	$ 5,629,227	$ 31,908,838	$ 26,279,611	17.6%	$ 80,961,508	32%
6/30/2009	July 1, 2008	$ 5,579,224	$ 31,882,317	$ 26,303,093	17.5%	$ 83,646,615	31%
6/30/2010	July 1, 2008	$ 5,579,224	$ 31,882,317	$ 26,303,093	17.5%	$ 83,790,635	31%

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

SUPPLEMENTAL INFORMATION

PERRY-SMITH
THE POWER OF CONFIDENCE

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Sacramento, CA 95814
www.perry-smith.com
916.441.1000

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

Board of Trustees
State Center Community College District
Fresno, California

We have audited the basic financial statements of State Center Community College District as of and for the year ended June 30, 2010, and have issued our report thereon dated November 29, 2010. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the *California Community Colleges Contracted District Audit Manual*, presented by the Chancellor's office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental financial and statistical information including the Schedule of Expenditures of Federal Awards and the reports listed below, is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of State Center Community College District and includes the following schedules:

- Organization
- Schedule of Expenditures of Federal Awards
- Schedule of State Financial Awards
- Schedule of Workload Measures for State General Apportionment
- Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Basic Financial Statements
- Notes to Supplemental Information

The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Perry-Smith LLP

Sacramento, California
November 29, 2010

STATE CENTER COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2010

State Center Community College District was established on July 1, 1964, and is comprised of 5,580 square miles located in parts of Fresno, Madera, Tulare, and Kings Counties. There were no changes in the boundaries of the District during the current year. The District operates two colleges, Fresno City College and Reedley College as well as three community centers, Willow North Center, Madera Center and Oakhurst Center. The District's two main colleges are each accredited by the Western Association of Schools and Junior Colleges.

The Governing Board and District Administration for the fiscal year ended June 30, 2010 were composed of the following members:

BOARD OF TRUSTEES

Members	Office	Term Expires
Patrick E. Patterson	President	2012
Dorothy Smith	Vice President	2010
Isabel Barreras	Secretary	2010
Richard M. Caglia	Member	2012
H. Ronald Feaver	Member	2012
William J. Smith	Member	2012
Leslie W. Thonesen	Member	2010

DISTRICT ADMINISTRATION

Dr. Thomas A. Crow*
Chancellor

Dr. Cynthia E. Azari
President - Fresno City College

Dr. Barbara A. Hioco
President - Reedley College

Dr. Terral W. Kershaw
Vice Chancellor - North Centers

Mr. Douglas R. Brinkley
Vice Chancellor - Finance and Administration

Mr. Randy Rowe
Associate Vice Chancellor - Human Resources

Mr. Don Lopez
Interim Associate Vice Chancellor - Workforce Development and Educational Services

* Effective July 1, 2010, Dr. Deborah G. Blue, Chancellor

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Education		
Direct Programs:		
Student Financial Aid Cluster:		
Federal Supplemental Educational Opportunity Program (FSEOG)	84.007	$ 831,789
Federal Family Education Loans	84.032	167,839
Federal Work Study (FWS)	84.033	1,043,937
Federal Pell Grants (PELL)	84.063	57,480,141
Financial Aid Admin Allowance	84.063	143,943
Federal Direct Student Loans	84.042	7,139,276
Academic Competitiveness Grant	84.375	257,212
Subtotal Financial Aid Cluster		67,064,137
Direct Programs:		
TRIO Cluster:		
Student Support Services	84.042	551,734
Talent Search	84.044	228,831
Upward Bound	84.047	1,572,222
Subtotal TRIO Cluster		2,352,787
Passed through California Community College Chancellor's Office:		
Career and Technical Education, Title IB	84.048	336,048
Career and Technical Education, Title IC	84.048	1,575,580
Vocational and Applied Technology Education Act - Tech Prep	84.243	126,380
Passed through California Department of Education:		
Vocational and Applied Technology Education Act - Distribution Points	84.243	207,184
Passed through California Department of Rehabilitation:		
Rehabilitation Services - Workability	84.126	170,760
ARRA Rehabilitation Services	84.390	13,918
Passed through University of California, Berkeley:		
Asian Studies Curriculum and Activity Grant	84.015	1,929
Direct Programs:		
Higher Education Institutional Aid - Science, Technology, Engineering, Math Improvement Projects	84.031C	1,777,256
Higher Education Institutional Aid, Title V - COOP	84.031	85,272
Child Care Access Means Parent in School	84.335	37,874
Total U.S. Department of Education		73,749,125

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Labor		
Passed through California Employment Development Department:		
WIA Adult Program - Rural Nursing Distance Education	17.258	$ 92,687
WIA Adult Program, Veteran Employment - Related Assistance Program	17.258	101,533
WIA Dislocated Workers, Veteran Employment - Related Assistance Program	17.260	101,532
Passed through Fresno Workforce Development Board:		
Welfare to Work Grants - Foster Bridge	17.253	100,675
Passed through Merced County Department of Workforce Investment:		
Community Based Job Training - LVN Nursing Training Grant	17.269	105,379
Passed through West Hills Community College District:		
Community Based Job Training - Ensuring Agriculture Tomorrow	17.269	187,167
Passed through California Community College Chancellor's Office:		
WIA Adult Program - Radiological Technology Program	17.258	36,727
WIA Adult Program - Paramedic to RN Bridge Program	17.258	40,707
WIA Adult Program - Dental Assisting Program	17.258	50,719
Total U.S. Department of Labor		817,126
U.S. Department of Health and Human Services		
Passed through California Department of Education:		
Child Care Development Fund Cluster:		
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	168,256
Child Care and Development Block Grant - Instructional Materials	93.575	500
Child Care and Development Block Grant - Training Consortium	93.575	29,990
Child Care and Development Block Grant - Early Child Mentor Program	93.575	3,010
Child Care and Development Block Grant - Supplemental Support for Early Child Mentor Program	93.575	999
Subtotal Child Care Development Fund Cluster		202,755

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed through California Community College Chancellor's Office:		
Temporary Assistance for Needy Families - CalWORKs	93.558	$ 256,157
Temporary Assistance for Needy Families - Supplemental Work-study Fund	93.558	70,683
Passed through Madera County Dept. of Social Services:		
Temporary Assistance for Needy Families - Vocational Training	93.558	104,985
Passed through Tulare County Health & Human Services:		
Temporary Assistance for Needy Families - Tulare CalWORKs Work Study Program	93.558	13,746
Passed through Fresno County Health & Human Services:		
Temporary Assistance for Needy Families - CalWORKs Employment & Temporary Assistance	93.558	599,067
Chafee Foster Care Independence Program - Independent Living Training/Education	93.674	81,106
Passed through Foundation for California Community Colleges:		
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Career Program	93.596	150,412
Chafee Foster Care Independence Program - Youth Empowerment Strategies for Success	93.674	27,498
Direct Program:		
Head Start	93.600	347,560
Total U.S. Department of Health and Human Services		1,651,214
U.S. Department of Agriculture		
Passed through California Department of Education:		
Child and Adult Care Food Program - Child Care Food Services	10.558	27,512
Child and Adult Care Food Program - Promoting Integrity NOW (PIN)	10.558	153,936
Child and Adult Care Food Program - Spanish Translation	10.558	88,827
Child and Adult Care Food Program - Mandatory Training	10.558	156,704
Child and Adult Care Food Program - On-line Trainings	10.558	43,401
Child and Adult Care Food Program - Healthy & Active Preschoolers	10.558	86,404
Summer Food Service Program for Children	10.559	10,682
Passed through California Department of Food and Agriculture:		
Specialty Crop Block Grant Program Statewide Agriculture Market Development	10.169	10,000
Specialty Crop Block Grant - Farm Bill	10.170	42,642
Direct Program:		
CSREES- Partnership in Agriculture	10.223	114,752
Total U.S. Department of Agriculture		734,860

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Agency for International Development		
Passed through Georgetown University:		
CASS (Cycle 06)	98.012	$ 37,815
SEED (Cycle 09)	98.012	252,354
Total U.S. Agency for International Development		290,169
U.S. Department of Housing and Urban Development		
Direct Program:		
Community Outreach Partnership Center (COPC)	14.511	21,742
U.S. National Science Foundation		
Direct Programs:		
Biological Sciences - Survey of the Tardigrades at the LT Environmental Sites	47.074	35,743
Passed through Foundation for California State University, Fresno:		
Trans-NSF Recovery Act Research Support - METRO	47.082	12,089
Total U.S. National Science Foundation		47,832
U.S. Corporation for National and Community Service		
Passed through Foundation for California Community Colleges:		
Americorps - ELSRAP	94.006	1,828
U.S. Department of State Bureau of Educational and Cultural Affairs		
Passed through Kirkwood Community College:		
Academic Exchange Programs - CCI Egypt	19.009	136,609
U.S. Department of Veteran Affairs		
Direct Program:		
Veterans Information and Assistance - Reporting Fees	64.115	4,751
Total Federal Programs		$ 77,658,011

See accompanying notes to
supplemental information.

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2010

	Program Entitlements			Program Revenues				
	Prior Year Carry-forward	Current Entitlement	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue/ Accounts Payable	Total	Program Expend-itures
Alternative Transportation Technology Initiative (ATTI)		$ 101,670	$ 101,670	$ 85,403	$ 16,267		$ 101,670	$ 101,670
Allied Health and Nursing Grant	$ 17,395		17,395	16,016			16,016	16,016
Asian Fest		2,300	2,300	1,586			1,586	1,586
Baby City		5,000	5,000	4,994			4,994	4,994
Basic Skills	821,134	338,391	1,159,525	1,159,525		$ 677,107	482,418	482,418
BFAP	30,606	1,406,202	1,436,808	1,436,808		111,304	1,325,504	1,325,504
CARE	1,435	197,026	198,461	198,462		72	198,390	198,390
Cal Grants		4,303,739	4,303,739	4,395,042	482	91,785	4,303,739	4,303,739
California High School Exit Exam (CAHSEE)	201,435		201,435	66,435	82,655		149,090	149,090
CalWORKs	846,853		846,853	846,853		19,808	827,045	827,045
Career Advancement Academy Implementation Grant	601,718	1,379,310	1,981,028	1,138,553	277,031		1,415,584	1,415,584
Center for Applied Competitive Technologies (CACT)		101,670	101,670	85,403	16,267		101,670	101,670
Center for International Trade (CITD)	93,640	101,670	195,310	179,043		53,124	125,919	125,919
Community Collaborative Projects	530,336	310,000	840,336	840,336		326,112	514,224	514,224
Disabled Students Services (DSPS)	298,344	1,317,620	1,615,964	1,615,964		132,258	1,483,706	1,483,706
Economic Opportunity Programs and Services (EOPS)	87,792	1,716,678	1,804,470	1,804,470		23,438	1,781,032	1,781,032
Enrollment Growth - Associate Degree Nursing Program	332,367	466,375	798,742	724,122		36,244	687,878	687,878
Entrepreneurship Career Pathway (ECP)	50,000	35,000	85,000	85,000		35,000	50,000	50,000
Equal Employment Opportunity Fund		11,253	11,253	11,253			11,253	11,253
Foster Care Education		191,443	191,443	95,722	93,933		189,655	189,655
HUB - CITD		60,010	60,010	50,408		24,335	26,073	26,073
IDRC - CITD	122,273	135,995	258,268	236,508		22,157	214,351	214,351
IDRC - Welding	71,949	124,114	196,063	176,204	14,113		190,317	190,317
Instructional Equipment/Scheduled Maintenance - On Going	238,066		238,066	238,066			238,066	238,066

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS
(Continued)
For the Year Ended June 30, 2010

	Program Entitlements			Program Revenues				
	Prior Year Carry-forward	**Current Entitlement**	**Total Entitlement**	**Cash Received**	**Accounts Receivable**	**Deferred Revenue/ Accounts Payable**	**Total**	**Program Expend-itures**
Link Afterschool Employment to Career Pathway	$ 123,988	$ 163,714	$ 287,702	$ 195,713	$ 77,878	$ 9,337	$ 264,254	$ 264,254
LVN to RN Step-up Program	123,774		123,774	123,774		10,455	113,319	113,319
Math and Science Teach Imitative Fund (MSTI)	9,000		9,000	9,000		9,000		
Matriculation	42,824	799,889	842,713	842,713		19,405	823,308	823,308
Noncredit Matriculation		10,266	10,266	10,266			10,266	10,266
Peace Officer Standards and Training (POST)		90,707	90,707		70,019		70,019	70,019
Refurbishment of CD Center Portable Building		2,975	2,975	2,975			2,975	2,975
Song Brown		170,000	170,000	127,466	42,535		170,001	170,001
Supplemental Funding for CD Training Consortium		14,000	14,000	5,998	8,000		13,998	13,998
Supplemental Funding for Foster Care Classes		10,000	10,000	6,863	1,996		8,859	8,859
Technical Assistance Center Telecom Tech (TTIP)	19,196		19,196	19,196			19,196	19,196
Transfer and Articulation	2,617		2,617	2,617		1,004	1,613	1,613
Total State Programs	$ 4,666,742	$ 13,567,017	$ 18,233,759	$ 16,838,757	$ 701,176	$ 1,601,945	$ 15,937,988	$ 15,937,988

See accompany notes to supplemental information.

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT

Annual Attendance as of June 30, 2010

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2009 only)			
1. Noncredit	44		44
2. Credit	3,905		3,905
B. Summer Intersession (Summer 2009 - Prior to July 1, 2010)			
1. Noncredit	-		-
2. Credit	186		186
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	22,788		22,788
b. Daily Census Contact Hours	2,444		2,444
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	329		329
b. Credit	918		918
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	1,357		1,357
b. Daily Census Contact Hours	144		144
c. Noncredit Independent Study/ Distance Education Courses	-		-
D. Total FTES	32,115	-	32,115
Supplemental Information:			
E. In-Service Training Courses (FTES)	704		704
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	157		157
b. Credit	2,081		2,081
CCFS 320 Addendum			
CDCP	-		-
Centers FTES			
a. Noncredit	-		-
b. Credit	-		-

See accompanying notes to supplemental information.

STATE CENTER COMMUNITY COLLEGE DISTRICT

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

For the Year Ended June 30, 2010

	Other Trust Fund
June 30, 2010 Annual Financial and Budget Report (CCFS-311) Fund Balance	$ 6,051,685
Adjustment to reverse funds held in irrevocable trust for other postemployment benefits	(6,051,685)
June 30, 2010 Audit Fund Balance	$ -

	Student Financial Aid Trust Funds
June 30, 2010 Annual Financial and Budget Report (CCFS-311) Fund Balance	$ -
Adjustment to record an allowance on student receivables	(576,596)
June 30, 2010 Audit Fund Balance	$ (576,596)

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

See accompanying notes to supplemental information.

STATE CENTER COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTAL INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B - Schedule of State Financial Awards

The accompanying Schedule of Expenditures of State Awards includes State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The information in this schedule is presented to comply with reporting requirements of the California State System's Office.

C - Schedule of Workload Measures for State General Apportionment

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

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

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

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INDEPENDENT AUDITOR'S REPORT
ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
State Center Community College District
Fresno, California

We have audited the basic financial statements of State Center Community College District for the year ended June 30, 2010, and have issued our report thereon dated November 29, 2010.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the *Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM)*:

General Directives

Management Information System Implementation – State General Apportionment Required Data Elements

Administration

Apportionments – Apportionment for Instructional Service Agreements/Contracts
Apportionments – Residency Determination for Credit Courses
Apportionments – Concurrent Enrollment of K-12 Students in Community College Credit Courses
Apportionments – Enrollment Fee
Apportionments – Students Actively Enrolled
Fiscal Operations – Salaries of Classroom Instructors: 50 Percent Law
Fiscal Operations – Gann Limit Calculation
Open Enrollment
Student Fees – Instructional Materials and Health Fees

Student Services

Uses of Matriculation Funds
CalWORKs – Use of State and Federal TANF Funding

Facilities

Scheduled Maintenance Program

INDEPENDENT AUDITOR'S REPORT
ON STATE COMPLIANCE REQUIREMENTS
(Continued)

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the State Center Community College District complied, in all material respects with the aforementioned requirements for the year ended June 30, 2010, except as described in the Schedule of Audit Findings and Questioned Costs section of this report.

State Center Community College District's response to the finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's response and, accordingly, express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, District management, and 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.

Perry-Smith LLP

Sacramento, California
November 29, 2010

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

Board of Trustees
State Center Community College District
Fresno, California

We have audited the basic financial statements of State Center Community College District as of and for the year ended June 30, 2010, and have issued our report thereon dated November 29, 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 State Center Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of State Center Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of State Center Community College 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 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.

Compliance and Other Matters

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

State Center Community College District's response to the finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's response and, accordingly, express no opinion on it.

This report is intended for the information of the Board of Trustees, District management, and 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

Perry-Smith LLP

Sacramento, California
November 29, 2010

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
State Center Community College District
Fresno, California

Compliance

We have audited the compliance of State Center Community College District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2010. State Center Community College District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Audit 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 State Center Community College District's management. Our responsibility is to express an opinion on State Center Community College 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 obtained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about State Center Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on State Center Community College District's compliance with those requirements.

In our opinion, State Center Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of State Center Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered State Center Community College District's internal control over compliance with 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 our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of State Center Community College District's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Internal Control Over Compliance (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 would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of District management, the Board of Trustees, and 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.

Perry-Smith LLP

Sacramento, California
November 29, 2010

FINDINGS AND RECOMMENDATIONS

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X No

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	____ Yes	X None reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	____ Yes	X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.032, 84.033, 84.063, 84.042, 84.375	Student Financial Aid Cluster
84.042, 84.044, 84.047	TRIO Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 2,329,740	
Auditee qualified as low-risk auditee?	X Yes	____ No

STATE AWARDS

Internal control over state programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified not considered to be material weaknesses?	____ Yes	X None reported
Type of auditor's report issued on compliance for state programs:	Qualified	

STATE COMPLIANCE

1. CONCURRENT ENROLLMENT OF K-12 STUDENTS IN COMMUNITY CREDIT COURSES

Criteria

Education Code Sections 48800(a), 48800.5, 76300 and 7600(d):

Community colleges may claim FTES and, accordingly, State funding, for the attendance of K-12 pupils who take classes offered provided the District has obtained verification from the K-12 school district that the student can benefit from advanced scholastic or vocational work.

Condition

The District did not receive verification from the K-12 district that the student can benefit from advanced scholastic education, for six students.

Effect

The District was not in compliance with State requirements related to Concurrent Enrollment of K-12 Students in Community College Credit Courses.

Cause

The District did not have established procedures to ensure the proper verification is received for special admit students.

Fiscal Impact

The fiscal impact of the finding is 1.46 FTES; however, overall there is no fiscal impact to the District as the District has already exceeded the funding cap for FTES.

Recommendation

The District should implement a process to ensure verification is received for all special admit students.

Corrective Action Plan

The District has modified its procedures to ensure that all verifications for special admit students are received.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

STATE CENTER COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2010

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