STATE CENTER COMMUNITY COLLEGE DISTRICT
Fresno, California

FINANCIAL STATEMENTS
June 30, 2011

STATE CENTER COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2011

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Crowe Horwath.

Crowe Horwath LLP
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INDEPENDENT AUDITORS' 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, 2011, 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 20, 2011 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. The financial statements of State Center Community College Foundation were not audited in accordance with *Government Auditing Standards*. 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 audits and the report of the other auditors 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 respective financial position of the business-type activities and the discretely presented component unit of State Center Community College District as of June 30, 2011, and the respective changes in financial position and 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 December 21, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

INDEPENDENT AUDITORS' 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 21, 2011

Management's Discussion and Analysis section of the audit provides management the opportunity to review the overall financial condition and activities of State Center Community College District (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

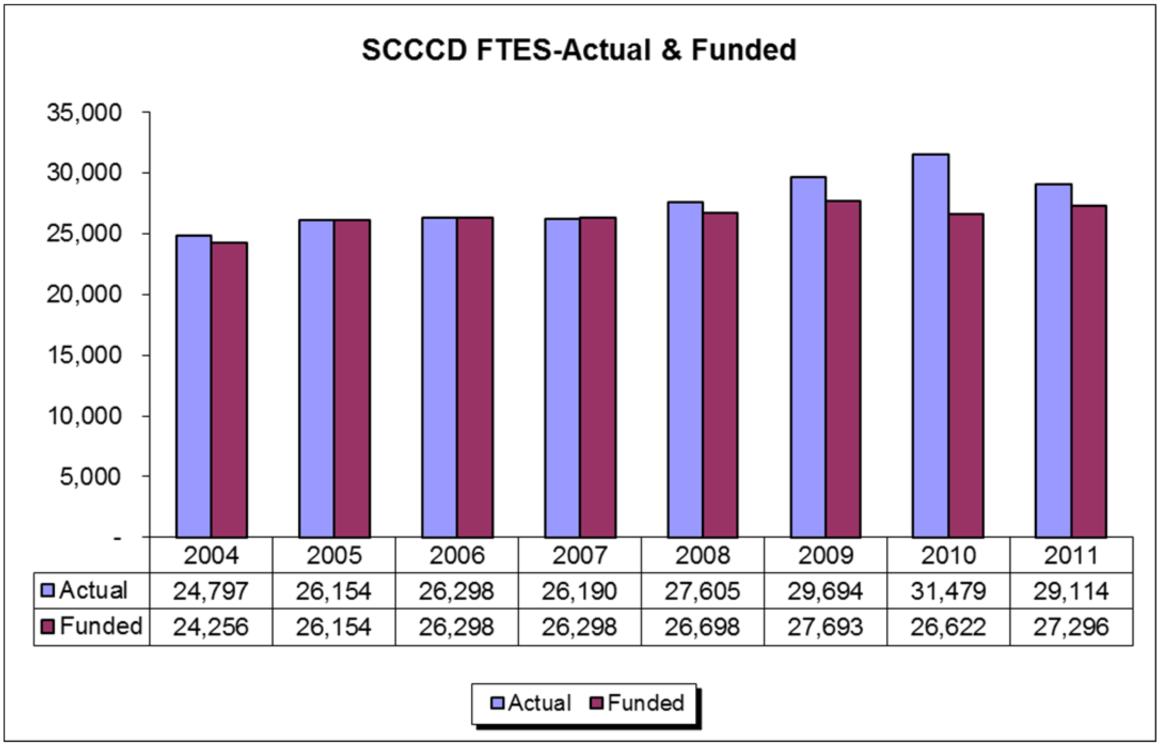
As required by the Governmental Accounting Standards Board (GASB) Codification Section (Cod.Sec.) 2200.101 and GASB Cod.Sec. Co5.101 the annual report consists of three basic financial statements that provide information on the District's activities as a whole: the Statement of Net Assets; the Statement 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 focuses on the costs of the District's operational activities, which are supported mainly by student tuition and fees. Non-operating revenues like property taxes, State apportionment, and grants/contracts 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.

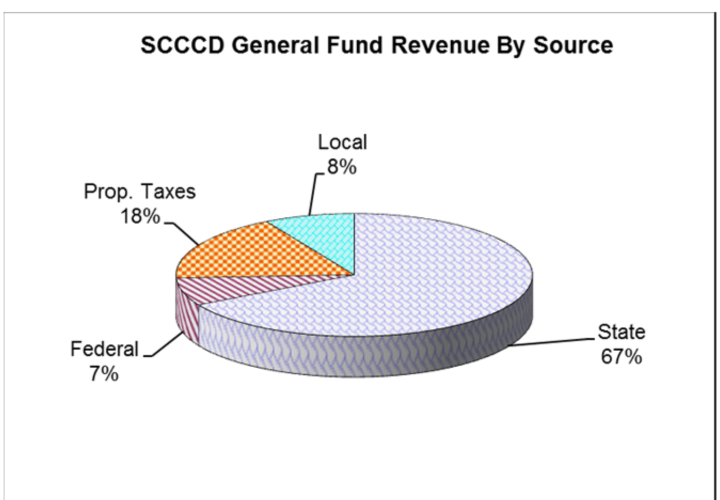
FINANCIAL HIGHLIGHTS

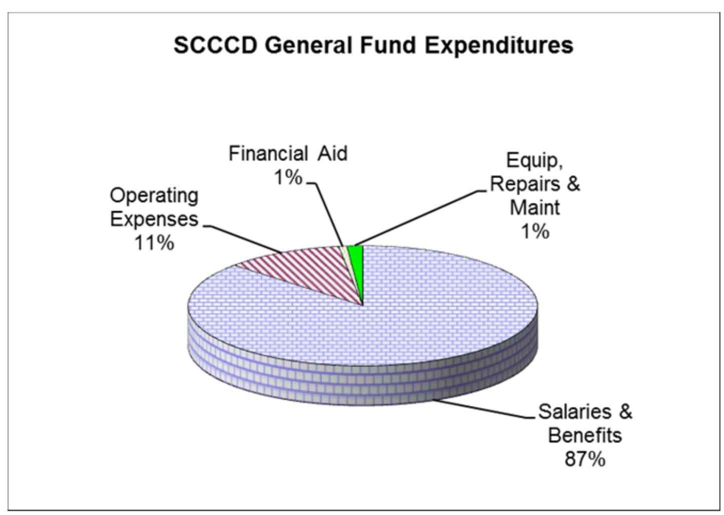
The District's primary funding source is based upon apportionment revenue received from the State of California. The key component of apportionment is the calculation of Full-Time Equivalent Students (FTES). Based on the Annual CCFS 320 report, the District resident FTES reported for the 2010-11 fiscal year was 29,114 – a 7.5% decrease from the prior year. In 2009-10, the community college system was reduced $192 million in funding or a 3.4% reduction in funded FTES from the prior year. However, for 2010-11 the community college system was provided an unanticipated partial restoration in funding of $129 million or 2.2% in funded FTES. The District's share of the restoration funding for 2010-11 was approximately $3.2 million or 683 FTES. With the continuing weak economy and high unemployment rate in the State and Nation, as well as tuition fees increases at the UC and CSU level, enrollment levels for the District and the community college system have continued to exceed available state funding. The lack of funding available to the District and the system has resulted in unfunded FTES of approximately 1,800 and 41,000 respectively as of the second principal apportionment (P2). Due to the limited funding, California Community Colleges are scrutinizing curriculum offerings and focusing on the three core instructional areas of basic skills, transfer, and workforce training.

Even though the District generated 29,114 FTES in 2010-11, the District was paid for only 27,296 FTES due to lack of state funds to pay districts for all earned FTES. Further complicating this issue, the State deficit funded the District approximately $700,000. In total for 2010-11, the District was underpaid by approximately $9.1 million in apportionment funding ($8.4 million in unfunded FTES and $0.7 million in 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 the District.



The 2010-11 State budget includes an increased apportionment deferral to the community college system that grew by $129 million to a total annual deferral of $832 million. The deferred revenue is accumulated by reducing the following monthly apportionments: January ($136.5 million), February ($136.5 million), March ($76.5 million), April ($158 million), May ($103 million), and June ($221.5 million). Additionally, two intra-year deferrals totaling $300 million remained in effect for the year (originated in 2009-10). The first is a $200 million deferral from July to October and the second is a $100 million deferral from March to May. Due to the deterioration of State revenues and the State's poor credit rating, the State continues to use deferred payments to the Community College System to help balance their cash-flow problems. The District's share of this system-wide inter-year deferral was approximately $23.9 million and is included in the District's accounts receivable balance at year end. The District relies heavily on state apportionment, property taxes, federal grants, and state categorical programs to function. It is important to understand the sources and uses of these funds. The following two graphs depict the District's major revenue sources and expenditures for the General Fund.





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	**2011**	**2010**
Cash, Investments, and Short-Term Receivables	$74,794	$70,129
Inventory and Prepaid Expenditures	1,954	2,288
TOTAL CURRENT ASSETS	76,748	72,417
NON-CURRENT ASSETS		
Restricted Cash	28,756	37,795
Capital Assets, Net of Depreciation	289,114	288,029
TOTAL NON-CURRENT ASSETS	317,870	325,824
TOTAL ASSETS	$ 394,618	$ 398,241
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 13,239	$ 16,616
Deferred Revenue	6,523	8,301
Amount Held in Trust on Behalf of Others	583	935
Compensated Absences Payable	3,418	3,441
Long Term Liabilities - Current Portion	3,292	2,897
TOTAL CURRENT LIABILITIES	27,055	32,190
NON-CURRENT LIABILITIES		
Long-Term Liabilities - Non-Current Portion	109,464	111,771
TOTAL LIABILITIES	136,519	143,961
NET ASSETS (Fund Bal)		
Investment in Capital Assets, Net of Related Debt	195,133	196,263
Restricted for Expendable Purposes	22,896	22,142
Unrestricted	40,070	35,875
TOTAL NET ASSETS	258,099	254,280
TOTAL LIABILITIES AND NET ASSETS	$ 394,618	$ 398,241

This schedule has been prepared from the District's Statement of Net Assets on page 10. Cash and short-term investments consist primarily of funds held in the Fresno County Treasury and State apportionment receivable. Overall changes in the cash position are explained in the Statement of Cash Flows on page 14. Net Assets increased by approximately $3.8 million. Highlights of the major changes include an increase in the General Fund apportionment receivables of $4.1 million due to the additional state apportionment deferral. Restricted cash from the Measure E bonds decreased by $8.4 million as construction projects were completed, which also resulted in an increase of $1.1 million to Capital Assets, net of depreciation. Current liabilities and deferred revenues decreased by $5.1 million from the prior year. And lastly, overall long-term liabilities decreased by $1.9 million due to the annual debt payments.

Statement of Net Assets (Continued)

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 General Obligation Bonds totaling $131 million to date, leaving $30 million in authorized, but unissued bonds. The remaining $30 million is to be leveraged with a future State Education Bond (40% local / 60% State) for facilities on the Southeast Site property. Approximately $136.1 million has been expended as of June 30, 2011 of the four bond series issued totaling $131 million, plus the $8.8 million of interest income.

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.

Condensed financial information is as follows:

	For the years Ended June 30th (in thousands)	
OPERATING REVENUES	**2011**	**2010**
Tuition & Fees	$ 10,519	$ 11,464
Grants & Contracts, Non-Capital	34,183	39,399
Auxiliary Enterprises & Other Operating Revenues	4,294	5,186
TOTAL OPERATING REVENUES	48,996	56,049
OPERATING EXPENDITURES		
Salaries and Benefits	141,701	143,944
Supplies, Maintenance & Other Operating Expenses	24,632	28,151
Financial Aid	68,539	72,001
Depreciation	7,045	5,926
TOTAL OPERATING EXPENDITURES	241,917	250,022
OPERATING LOSS	(192,921)	(193,973)
NON-OPERATING REVENUES (EXPENSES)		
State Apportionment	99,570	94,875
Property Taxes	37,430	37,972
State Revenues	5,303	4,093
Federal Student Financial Aid	56,921	57,480
Net Interest Income / (Expense)	(4,166)	(3,885)
Other Non-Operating Revenue	(78)	1,005
TOTAL NON-OPERATING REVENUES (EXPENSES)	194,980	191,540
INCOME(LOSS) BEFORE OTHER REV AND EXP	2,059	(2,433)
CAPITAL REVENUE		
Federal, State and Local Capital Income	1,760	2,255
INCREASE (DECREASE) IN NET ASSETS	3,819	(178)
NET ASSETS, BEGINNING	254,280	254,458
NET ASSETS, ENDING	$ 258,099	$ 254,280

Statement of Revenues, Expenses, and Change in Net Assets (Continued)

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 for our students and stakeholders and to carry out the mission of the District.

The 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 an increase in Net Assets of approximately $3.8 million. Highlights of the significant changes include a decrease in non-capital grants and contracts of $5.2 million of which $2.1 million was related to federal direct loans and $ 2.4 million was various state grants most likely the result of a shrinking state budget. State apportionment funding increased by $4.7 million due to partial restoration funding, while enrollment fees and property taxes decreased by $1.5 million. The district also received unanticipated mandated cost payments of $0.8 million and additional state lottery funds of $0.7 million. Salary and benefits, supplies, and operating expenses decreased by $5.8 million due to reductions in the number of classes offered and by reducing operational costs.

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)	
	2011	**2010**
Cash provided by (used in)		
Operating activities	$ (191,623)	$ (188,669)
Non-capital financing activities	194,375	192,953
Capital financing activities	(13,785)	(4,407)
Investing activities	1,075	918
Net(decrease)/increase in cash	(9,958)	795
Cash, Beginning of Year	79,713	78,918
Cash, End of Year	$ 69,755	$ 79,713

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.

Statement of Cash Flows (Continued)

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 The District

With the continuing weakness in the State economy, higher than the national average unemployment rate, and depressed housing market, the State of California's General Fund revenue has been significantly impacted. Legislating in these difficult times has left both parties trying to placate their constituency groups with little compromising coming from either party. Under the authority provided by the voters though Proposition 25 passed in November 2010, the Legislature passed the 2011-12 budget bill with a simple majority rather than the required two-thirds vote that had been required for the past several decades. The budget plan solves what was identified in January as a $26 billion dollar budget gap through major program reductions, borrowing and transfers, and an assumption of major revenue gains beyond what had been estimated earlier. The 2011-12 state budget imposed a workload reduction of $313 million (or 6.2%) on the community college system. In addition, the state will increase the inter-year deferrals by an additional $129 million, bringing the total annual deferral to $961 million. However, this additional $129 million deferral will not be repaid to the colleges until October of the following year, whereas all previous deferrals have been repaid in July.

The final budget contained a major assumption that an additional $4 billion in revenue would materialize from a rebounding economy to close the budget gap. However, the Budget Act provides language giving the State Director of Finance authority to reduce appropriations if the revenue target assumptions are not met. Tiered midyear reductions would be "triggered" if revenues are determined to have not met expected levels by Dec 15th. The tiered reductions would be as follows:

- Tier 0 – There will be no midyear cuts if at least $3 billion of the anticipated $4 billion of the higher revenues materialize.

- Tier 1 – If only $2 billion to $3 billion of the revenues materialize, the California Community College System would see a $30 million reduction. This reduction would be offset by an enrollment fee increase from $36 to $46 per unit; however it would not go into effect until summer 2012 therefore providing no relieve to the system for fiscal year 2011-12. The impact to the District would be approximately $0.7 million.

- Tier 2 – If less than $2 billion of the revenues materialized, the California Community College system could receive an additional reduction of up to $72 million beyond the Tier 1 cuts. The impact to the District would be approximately $1.8 million, for an overall mid-year reduction of $2.5 million.

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 saw significant devaluation in their investment portfolios a few years ago. Although the markets have returned some of those losses, both systems will most likely need increased contributions to meet their future obligation costs. The CalPERS system adjusted their employer contribution rates for 2011-12 up to 10.923%, an increase of 0.216%, which was less than anticipated. The CalSTRS system cannot unilaterally increase employer and employee contribution rates as any rate change requires legislative action. The employer contribution rate for 2011-12 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.

Economic and Financial Factors Affecting the Future of The District (Continued)

The Governor recently released his 12 point pension reform plan which proposes a variety of actions intended to reduce the taxpayer burden for state retiree health care and benefit costs. Some of the plan points would affect current and new employees, while other points would only apply to new employees. 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. 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. In any case, there will be much discussion and debate before we see any agreed upon pension reform plan.

Employee health benefit cost increases also 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 may 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 medical and prescription costs. The dental and vision premiums have remained stable for several years with minimal changes to rates. The medical premiums, as described, could have seen more significant increases in costs had the District and employee bargaining groups not negotiated to increase co-pays and deductibles in an effort to maintain the medical premiums near the negotiated District maximum contribution. Effective for October 2011, District employees have the option of choosing from 5 different health care plans from the 3 medical providers. All plans with the exception of one Kaiser Plan require employees to pay a portion of their health care premium, ranging from $17 to $154 per month.

In summary, the budget outlook for the next few years will continue to be challenging. The economy of California lags behind the nation, revenue projections continue to fall below budget estimates, and expenditures continue to outpace available resources. Although economists claim that we are not in a recession, California continues to be plagued by a depressed housing market and high unemployment. The economic struggle will continue for the next few years and, as a result, the revenue stream to the District from the State will suffer at a time when services are most needed. This is due in a large part to the Legislature's unwillingness to address the real crux of the problem; that being 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. The District will need to reflect on its mission and look critically at what level of service it can provide, or what services it needs to provide to an increasing population of students looking for educational opportunities. 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, 2011

ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$	40,998,741
Investments (Note 2)		351
Receivables, net (Note 3)		33,795,343
Prepaid expenses		265,391
Stores inventories		1,688,899
Total current assets		76,748,725
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)		28,755,885
Depreciable capital assets, net (Note 4)		253,108,056
Non-depreciable capital assets (Note 4)		36,005,617
Total noncurrent assets		317,869,558
Total assets	$	394,618,283
LIABILITIES		
Current liabilities:		
Accounts payable	$	13,239,090
Deferred revenue (Note 5)		6,523,349
Due to agency funds		582,561
Compensated absences payable (Note 6)		3,417,786
Long-term liabilities - current portion (Note 6)		3,292,424
Total current liabilities		27,055,210
Noncurrent liabilities:		
Long-term liabilities - noncurrent portion (Note 6)		109,464,501
Total liabilities		136,519,711
Commitments and contingencies (Note 11)		
NET ASSETS		
Invested in capital assets, net of related debt		195,132,619
Restricted for:		
Capital projects		10,867,013
Educational programs		1,069,637
Self insurance		10,494,544
Other activities		464,790
Unrestricted		40,069,969
Total net assets		258,098,572
Total liabilities and net assets	$	394,618,283

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, 2011

ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$	517,356
Pledges receivable, net (Note 3)		40,273
Short term investments (Note 2)		642,869
Total current assets		1,200,498
Noncurrent assets:		
Pledges receivable, net of current portion (Note 3)		9,867
Investments, net of short-term investments (Note 2)		11,293,317
Total noncurrent assets		11,303,184
Total assets	$	12,503,682
LIABILITIES		
Accounts payable and accrued liabilities	$	463,506
NET ASSETS		
Net assets:		
Unrestricted		204,686
Temporarily restricted		5,688,418
Permanently restricted		6,147,072
Total net assets		12,040,176
Total liabilities and net assets	$	12,503,682

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

For the Year Ended June 30, 2011

Operating revenues:	
Tuition and fees	$ 24,272,746
Less: scholarship discounts and allowances	(13,753,790)
Net tuition and fees	10,518,956
Grants and contracts, non-capital:	
Federal	18,430,753
State	13,444,304
Local	2,307,740
Auxiliary enterprise sales and charges:	
Bookstore	2,519,682
Cafeteria	615,492
Other operating local revenues	1,158,828
Total operating revenues	48,995,755
Operating expenses (Note 13):	
Salaries	108,970,054
Employee benefits (Notes 8 and 9)	32,731,097
Supplies, materials, and other operating expenses and services	22,118,692
Equipment, maintenance and repairs	2,513,900
Student financial aid	68,538,334
Depreciation (Note 4)	7,045,352
Total operating expenses	241,917,429
Loss from operations	(192,921,674)
Non-operating revenues (expenses):	
State apportionment, non-capital	99,569,992
Local property taxes (Note 7)	37,430,444
State taxes and other revenues	5,303,459
Pell grants	56,921,091
Investment income, net	1,006,689
Interest expense on capital asset-related debt	(5,664,566)
Interest income on capital related debt	491,483
Other non-operating expenses, net	(78,339)
Total non-operating revenues (expenses)	194,980,253
Income before capital revenues	2,058,579
Capital revenues:	
Local revenues, capital	1,759,516
Increase in net assets	3,818,095
Net assets, July 1, 2010	254,280,477
Net assets, June 30, 2011	$ 258,098,572

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 ACTIVITIES

For the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Contributions	$ 56,718	$ 1,594,896		$ 1,651,614
Interest and dividend income (Note 2)	6,867	113,079	$ 97,401	217,347
Realized gain on investments (Note 2)	120	30,129	18,685	48,934
Unrealized gain on investments (Note 2)	51,797	678,663	909,468	1,639,928
Net assets released from restrictions:				
Satisfaction of program restrictions	2,931,970	(2,931,970)		
Income reallocations		98,397	(98,397)	
Total revenues	3,047,472	(416,806)	927,157	3,557,823
Expenses:				
Program services:				
Educational activities	2,594,957			2,594,957
Scholarships and awards	387,747			387,747
Management and general	57,996			57,996
Fundraising	70,006			70,006
Total expenses	3,110,706			3,110,706
Change in net assets	(63,234)	(416,806)	927,157	447,117
Net assets, July 1, 2010	267,920	6,105,224	5,219,915	11,593,059
Net assets, June 30, 2011	$ 204,686	$ 5,688,418	$ 6,147,072	$ 12,040,176

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, 2011

Cash flows from operating activities:	
Tuition and fees	$ 10,518,683
Grants and contracts	32,146,017
Payments of scholarships and grants	(68,538,334)
Payments to suppliers and vendors	(29,409,684)
Payments to and on behalf of employees	(140,737,891)
Auxiliary enterprises sales and charges	3,239,500
Other operating local revenues	1,158,828
Net cash used in operating activities	(191,622,881)
Cash flows from noncapital financing activities:	
State appropriations	95,457,546
Local property taxes	37,430,444
State taxes and other revenues	5,051,479
Pell grants	56,921,091
Other non-operating expenses	(485,052)
Net cash provided by noncapital financing activities	194,375,508
Cash flows from capital and related financing activities:	
State apportionments for capital purposes	698,000
Capital grants received	1,759,516
Purchase of capital assets	(8,129,763)
Principal paid on capital debt and leases	(2,897,424)
Interest paid on capital debt, and leases, net	(5,215,813)
Net cash used in capital and related financing activities	(13,785,484)
Cash flows from investing activities:	
Investment income	1,046,342
Proceeds from investment maturities	28,580
Net cash provided by investing activities	1,074,922
Net decrease in cash and cash equivalents	(9,957,935)
Cash balance, July 1, 2010	79,712,561
Cash balance, June 30, 2011	$ 69,754,626

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2011

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (192,921,674)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	7,045,352
Changes in assets and liabilities:	
Receivables, net	(1,932,727)
Prepaid expenses	174,560
Inventories	159,728
Accounts payable and accrued liabilities	(3,333,503)
Deferred revenue	(1,777,877)
Other postemployment benefits and compensated absences	963,260
Net cash used in operating activities	$ (191,622,881)

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

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2011

	Student Trust Funds	OPEB Irrevocable Trust Fund	Student Agency Funds
ASSETS			
Cash and cash equivalents (Note 2)	$ 140,040		$ 569,998
Investments (Note 2)		$ 6,611,190	
Receivables, net	2,022		934
Due from other funds	208,247		374,314
Total assets	$ 350,309	$ 6,611,190	$ 945,246
LIABILITIES			
Accounts payable			$ 54,488
Deferred revenue	$ 7,258		
Due to others			890,758
Total liabilities	7,258		945,246
NET ASSETS			
Total net assets held in trust	343,051	$ 6,611,190	
Total liabilities and net assets	$ 350,309	$ 6,611,190	$ 945,246

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

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS

For the Year Ended June 30, 2011

	Student Trust Funds	OPEB Irrevocable Trust Fund
Additions:		
Net interest income:		
Unrealized and realized gains, net		$ 393,203
Dividends and interest	$ 102	210,903
Student fees	14,104	
Other operating revenue	69,340	
Other non-operating revenue	152,787	
Total additions	236,333	604,106
Deductions:		
Administrative costs		44,601
Supplies, materials and other operating costs	101,150	
Equipment, maintenance and repairs	2,443	
Student aid	151,883	
Total deductions	255,476	44,601
Net (decrease) increase	(19,143)	559,505
Net assets held in trust:		
Net assets, July 1, 2010	362,194	6,051,685
Net assets, June 30, 2011	$ 343,051	$ 6,611,190

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 unit.

The Foundation is a nonprofit, tax-exempt organization dedicated to providing financial benefits generated from fundraising efforts and investment 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 Accounting

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

The 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.*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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 noncurrent 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, 2011 approximated their carrying value.

The Foundation's investments are valued at fair 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 Activities.

Fair values of investments in county and state investment pools are determined by the pool sponsor.

Receivables

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 $1,593,093 for the year ended June 30, 2011.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $78,045 at June 30, 2011. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates commensurate with risks applicable in the years in which those promises are received. As of June 30, 2011, the Foundation has applied an average discount rate of 7% 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 furniture, equipment or vehicles 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Activities 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

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.

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 2011 will be recorded in the year completed by the state.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Retirement Systems on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments. These payments consist of state general fund contributions to CalSTRS in the amount of $2,761,380 (4.267% of salaries subject to CalSTRS).

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 Pell grants, gifts and contributions, and other revenue sources described in GASB Cod. Sec. Co5.101, such as State appropriations and investment income.

All contributions received by the Foundation are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Unconditional promises to give that are silent as to the due date are presumed to be time restricted by the donor until received and are reported as temporarily restricted net assets.

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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Tax Status

The Foundation is a nonprofit public benefit corporation exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Foundation has been classified as an organization that is not a private foundation and has been designated as a "publicly supported" organization. Contributions to the Foundation are deductible under Section 170(c)(2). The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Interest and penalties on tax assessments are classified as an expense when incurred. For the year ended June 30, 2011, the Foundation did not incur any interest or penalties.

Income tax returns for the Foundation are filed in U.S. federal and state of California jurisdictions. Tax returns remain subject to examination by the U.S. federal jurisdiction for three years after the return is filed and for four years by the California jurisdiction. There are currently no tax years under examination.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 2011, consisted of the following:

	District	Fiduciary
Pooled Funds:		
Cash in County Treasury	$ 33,309,980	$ 229,640
Deposits:		
Cash on hand and in banks	7,688,761	480,398
Cash held by Fiscal Agent	28,755,885	
Total cash and cash equivalents	69,754,626	710,038
Less: restricted cash and cash equivalents		
Cash held by Fiscal Agent	28,755,885	
Total restricted cash and cash equivalents	28,755,885	
Net cash and cash equivalents	$ 40,998,741	$ 710,038

Foundation cash and cash equivalents at June 30, 2011, totaled $517,356.

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, 2011.

District investments at June 30, 2011 consisted of the following:

Mutual funds	$ 351

Investments held within the OPEB trust fund at June 30, 2011 consisted of the following:

Mutual funds	$ 6,611,190

Cash with Fiscal Agent

Cash with Fiscal Agent of $28,755,885 is held by a trustee for the improvement of campus facilities and debt service.

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.

Under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, interest-bearing cash balances held in banks are insured up to $250,000 and non-interest bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2011, the carrying amount of the District's cash on hand and in banks, including Fiduciary funds, was $8,169,159 and the bank balance was $10,193,433. The bank balance amount insured by the FDIC was $9,281,981.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

Investments of $6,611,190 held in the OPEB trust fund are not insured.

At June 30, 2011, the bank balance of the Foundation's cash in banks was $507,510 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 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, 2011, 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, 2011, the District and Foundation had no concentration of credit risk.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Foundation Investments

Foundation investments at June 30, 2011 consisted of the following:

California Local Agency Investment Fund	$ 642,869
American Funds mutual funds	293,158
YCM Net Advisors mutual funds	11,000,159
Total	11,936,186
Less: short term investments	(642,869)
Noncurrent investments	$ 11,293,317

Foundation investment income consisted of the following:

Interest and dividend income	$ 217,347
Realized gain on investments	48,934
Unrealized gain on investments	1,639,928
Total	$ 1,906,209

Interest and dividends (net of management fees) and realized gains 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, 2011, 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 for 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
Investments:				
Bond mutual funds	$ 4,048,224	$ 4,048,224		
Equity mutual funds	6,472,358	6,472,358		
Money market funds	1,415,604	1,415,604		
Total	$11,936,186	$11,936,186	$ -	$ -

The Foundation had no non recurring assets and no liabilities at June 30, 2011, which were required to be disclosed using the fair value hierarchy.

3. RECEIVABLES

Receivables

District accounts receivable at June 30, 2011 are summarized as follows:

Federal	$ 5,176,793
State	26,414,966
Local and other	3,796,677
	35,388,436
Less allowance for doubtful accounts	(1,593,093)
	$ 33,795,343

Pledges Receivable

Pledges receivable with the Foundation as of June 30, 2011 consist of the following:

Pledges receivable	$ 128,876
Less: unamortized discount	(691)
Less: allowance for uncollectible pledges	(78,045)
Total	50,140
Less: short term pledges receivable	(40,273)
Pledges receivable, net of current portion	$ 9,867

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2010	Additions and Transfers	Deductions and Transfers	Balance June 30, 2011
Non-depreciable:				
Land	$ 31,646,516			$ 31,646,516
Construction in progress	53,147,409	$ 5,289,671	$ (54,077,979)	4,359,101
Depreciable:				
Land improvements	20,181,370	1,489,415		21,670,785
Buildings and improvements	230,092,927	53,992,479		284,085,406
Furniture and equipment	10,903,641	1,370,152		12,273,793
Vehicles	2,076,424	66,025		2,142,449
Total	348,048,287	62,207,742	(54,077,979)	356,178,050
Less accumulated depreciation:				
Land improvements	1,116,604	886,354		2,002,958
Buildings and improvements	50,083,087	5,328,498		55,411,585
Furniture and equipment	7,153,944	707,719		7,861,663
Vehicles	1,665,390	122,781		1,788,171
Total	60,019,025	7,045,352		67,064,377
Capital assets, net	$ 288,029,262	$ 55,162,390	$ (54,077,979)	$ 289,113,673

5. DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

Deferred Federal and State revenue	$ 1,788,637
Deferred tuition and student fees	4,360,319
Deferred local grant revenue and other	374,393
Total deferred revenue	$ 6,523,349

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, 2011, 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, 2011, the principal outstanding was $13,110,000.

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2003A outstanding as of June 30, 2011, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	635,000	474,138	1,109,138
2017-2021	3,650,000	1,907,669	5,557,669
2022-2026	4,475,000	1,056,625	5,531,625
2027-2028	2,095,000	106,125	2,201,125
	$ 13,110,000	$ 5,736,734	$ 18,846,734

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, 2011, the principal outstanding was $15,910,000 and unamortized premium was $583,631. Premiums are amortized over the life of the bonds as a component of interest expense on the bonds.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2004A outstanding as of June 30, 2011, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	675,000	695,756	1,370,756
2017-2021	3,945,000	2,893,406	6,838,406
2022-2026	5,095,000	1,719,288	6,814,288
2027-2029	3,745,000	316,113	4,061,113
	$ 15,910,000	$ 8,679,463	$ 24,589,463

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

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, 2011, the principal outstanding was $63,395,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2007A outstanding as of June 30, 2011, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	945,000	2,996,625	3,941,625
2017-2021	7,755,000	14,150,488	21,905,488
2022-2026	14,705,000	11,449,625	26,154,625
2027-2031	29,550,000	6,284,750	35,834,750
2032	8,230,000	205,750	8,435,750
	$ 63,395,000	$ 47,355,138	$110,750,138

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, 2011, the principal outstanding was $8,295,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2009A outstanding as of June 30, 2011, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	305,000	282,288	587,288
2017-2021	2,100,000	1,141,519	3,241,519
2022-2026	3,345,000	467,487	3,812,487
	$ 8,295,000	$ 3,140,846	$ 11,435,846

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

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, 2011, 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, 2011, are as follows:

Year Ending June 30,	Principal	Interest	Total
2012		$ 800,000	$ 800,000
2013		800,000	800,000
2014		800,000	800,000
2015		800,000	800,000
2016		800,000	800,000
2017-2021		4,000,000	4,000,000
2022-2026		4,000,000	4,000,000
2027-2031	$ 5,555,000	2,954,600	8,509,600
2032-2034	4,445,000	549,800	4,994,800
	$ 10,000,000	$ 15,504,400	$ 25,504,400

Changes in Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2011 is as follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Amounts Due Within One Year
General Obligation Bonds	$ 113,575,000		$ 2,865,000	$ 110,710,000	$ 3,260,000
Premium on General Obligation Bonds	616,055		32,424	583,631	32,424
Other postemployment benefits (Note 9)	476,801	$ 1,987,867	1,001,374	1,463,294	
Compensated absences	3,441,019		23,233	3,417,786	3,417,786
	$ 118,108,875	$ 1,987,867	$ 3,922,031	$ 116,174,711	$ 6,710,210

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.

<u>State Teachers' Retirement System (STRS)</u>

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.

Funding Policy

Active members of the DB Plan are required to contribute 8.00% 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 2010-2011 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%.

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2011, 2010 and 2009 were $5,342,314, $5,511,817 and $5,554,809, 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.

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.00% of their salary and the district is required to contribute an actuarially determined rate. The required employer contribution rate for fiscal year 2010-2011 was 10.707% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2011, 2010 and 2009 were $3,546,497, $3,089,719 and $3,012,166, respectively, and equaled 100 percent of the required contributions for each year.

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	$ 1,994,296
Interest on net OPEB obligation	23,840
Adjustment to annual required contribution	(30,269)
Annual OPEB cost (expense)	1,987,867
Contributions made	1,001,374
Increase in net OPEB obligation	986,493
Net OPEB liability - beginning of year	476,801
Net OPEB liability - end of year	$ 1,463,294

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011 and preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB (Asset) Obligation
June 30, 2009	$ 3,076,964	31.9%	$ (1,574,040)
June 30, 2010	$ 3,076,965	33.3%	$ 476,801
June 30, 2011	$ 1,987,867	50.4%	$ 1,463,294

As of July 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $22.5 million, and the actuarial value of assets was $6.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of $16.4 million. The covered payroll (annual payroll of active employees covered by the Plan) was $83.9 million, and the ratio of the UAAL to the covered payroll was 19.5 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, 2010, actuarial valuation, the unprojected Unit Credit cost method was used to value the liability. 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 11.0 percent trending down to an ultimate 5.0 percent after six years. A 2.0 percent morbidity assumption was used to increase expected medical claims. 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, 2011, was 27 years.

10. ENDOWMENT NET ASSETS - FOUNDATION

Changes in endowment net assets for the fiscal year ended June 30, 2011, consisted of the following:

Permanently restricted endowment net assets, beginning of year	$ 5,219,915
Investment return:	
Interest and dividends, net of expenses	97,401
Realized gain on sale of investments	18,685
Unrealized gain on investments	909,468
Net investment return	1,025,554
Release of endowment earnings for program purposes	(98,397)
Permanently restricted endowment net assets, end of year	$ 6,147,072

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.

Construction Commitments

As of June 30, 2011, the District has approximately $5.9 million in outstanding commitments on construction contracts.

12. JOINT POWERS AGREEMENTS

State Center Community College District participates in public entity risk pool 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 Sept 30, 2010	FASBO Sept 30, 2010
Total assets	$ 24,840,239	$ 6,633,131
Total liabilities	$ 14,114,823	$ 3,157,673
Net assets	$ 10,725,416	$ 3,475,458
Total revenues	$ 5,767,977	$ 17,886,538
Total expenses	$ 5,749,068	$ 18,937,833
Change in net asset	$ 18,909	$ (1,051,295)

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, 2011.

Functional Classifications	Salaries	Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Equipment Maintenance, and Repairs	Financial Aid	Depreciation	Total
Instruction	$ 55,877,570	$ 14,029,058	$ 2,706,259	$ 249,626			$ 72,862,513
Academic Support	12,134,310	3,885,741	2,043,164	799,820			18,863,035
Student Services	18,461,417	5,709,581	2,386,667	202,524			26,760,189
Operations and Maintenance of Plant	4,654,722	2,270,746	5,743,527	153,417			12,822,412
Institution Support	11,248,499	4,518,985	4,894,897	992,065			21,654,446
Community Support	1,376,380	361,602	1,036,527	16,328			2,790,837
Ancillary Services	5,217,156	1,955,384	3,307,559	100,120		$ 99,804	10,680,023
Student Aid			92		$ 68,538,334		68,538,426
Depreciation						6,945,548	6,945,548
	$ 108,970,054	$ 32,731,097	$ 22,118,692	$ 2,513,900	$ 68,538,334	$ 7,045,352	$ 241,917,429

REQUIRED SUPPLEMENTARY INFORMATION

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2011

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, 2007	$ 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%
6/30/2011	July 1, 2010	$ 6,051,686	$ 22,482,531	$ 16,430,845	26.9%	$ 83,936,757	20%

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

STATE CENTER COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULE

A - Schedule of Other Postemployment Benefits Funding Progress

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

SUPPLEMENTARY INFORMATION

STATE CENTER COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2011

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 International 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, 2011 were composed of the following members:

BOARD OF TRUSTEES

Members	Office	Term Expires
Dorothy Smith	President	2014
H. Ronald Feaver	Vice President	2012
Richard M. Caglia	Secretary	2012
Isabel Barreras	Member	2014
Ronald H. Nishinaka	Member	2014
Patrick E. Patterson	Member	2012
William J. Smith	Member	2012

DISTRICT ADMINISTRATION

Dr. Deborah G. Blue
Chancellor

Mr. Tony Cantu
Interim President - Fresno City College

Dr. Barbara A. Hioco
President - Reedley College

Dr. Terral W. Kershaw
Vice Chancellor - North Centers

Mr. Edwin Eng
Vice Chancellor - Finance and Administration

Mr. Randy Rowe
Associate Vice Chancellor - Human Resources

Mr. Robert Fox
Acting Associate Vice Chancellor - Workforce Development and Educational Services

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2011

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	$ 813,521
Federal Family Education Loans	84.032	(558)
Federal Work Study (FWS)	84.033	846,497
Federal Pell Grants (PELL)	84.063	56,921,091
Financial Aid Admin Allowance	84.063	221,382
Federal Direct Student Loans	84.042A	4,946,628
Academic Competitiveness Grant	84.375	182,592
Subtotal Financial Aid Cluster		63,931,153
Direct Programs:		
TRIO Cluster:		
Student Support Services	84.042A	1,081,479
Talent Search	84.044	50,304
Upward Bound	84.047	1,460,383
Subtotal TRIO Cluster		2,592,166
Passed through California Department of Rehabilitation:		
Vocational Rehabilitation Cluster:		
Rehabilitation Services - Workability	84.126	171,750
ARRA Rehabilitation Services	84.390	25,795
Subtotal Vocational Rehabilitation Cluster		197,545
Passed through California Community College Chancellor's Office:		
Career and Technical Education, Title IB	84.048	332,289
Career and Technical Education, Title IC	84.048	1,685,961
ARRA Education Stabilization Fund	84.394	85,349
Vocational and Applied Technology Education Act (VATEA):		
Passed through California Department of Education:		
VATEA - Distribution Points	84.243	220,000
Passed through California Community College Chancellor's Office:		
VATEA - Tech Prep	84.243	139,416
Subtotal VATEA		359,416
Passed through University of California, Berkeley:		
Asian Studies Curriculum and Activity Grant	84.015	640
Direct Programs:		
Higher Education Institutional Aid - Science, Technology, Engineering, Math Improvement Projects	84.031C	1,112,434

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Education (Continued)		
Direct Programs:		
Higher Education Institutional Aid, Title V - COOP	84.031	$ 355,059
Minority Science Engineer Improvement Program	84.120	146,750
Trade Assistance Through Business-Academic Linkages	84.153	77,127
Total U.S. Department of Education		70,875,889
U.S. Department of Labor		
WIA Cluster:		
Passed through California Employment Development Department:		
WIA Adult Program - Rural Nursing Distance Education	17.258	155,207
WIA Adult Program, Veteran Employment - Related Assistance Program	17.258	5,000
Passed through California Community College Chancellor's Office:		
WIA Adult Program - Radiological Technology Program	17.258	79,770
WIA Adult Program - Paramedic to RN Bridge Program	17.258	84,292
Passed through Fresno Workforce Development Board:		
WIA Dislocated Workers, Veteran Employment - Related Assistance Program	17.260	21,641
Subtotal WIA Cluster		345,910
Passed through Fresno Workforce Development Board:		
Welfare to Work Grants - Foster Bridge	17.253	107,781
Passed through Los Rios Community College District:		
Community Based Job Training - Health Care Training Grant	17.269	514,250
Total U.S. Department of Labor		967,941
U.S. Department of Health and Human Services		
Child Care Development Fund Cluster:		
Passed through California Department of Education:		
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	167,408
Child Care and Development Block Grant - Instructional Materials	93.575	175
Child Care and Development Block Grant - Training Consortium	93.575	32,241
Child Care and Development Block Grant - Early Child Mentor Program	93.575	4,842
Passed through Foundation for California Community Colleges:		
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Career Program	93.596	116,026
Subtotal Child Care Development Fund Cluster		320,692

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services (Continued)		
Temporary Assistance for Needy Families (TANF):		
Passed through California Community College Chancellor's Office:		
TANF- CalWORKs	93.558	$ 232,774
Passed through Madera County Dept. of Social Services:		
TANF - Vocational Training	93.558	128,243
Passed through Tulare County Health & Human Services:		
TANF - Tulare CalWORKs Work Study Program	93.558	11,404
Passed through Fresno County Health & Human Services:		
TANF - CalWORKs Employment & Temporary Assistance	93.558	586,256
Subtotal TANF		958,677
Passed through Fresno County Health & Human Services:		
Chafee Foster Care Independence Program - Independent Living Training/Education	93.674	41,298
Passed through Foundation for California Community Colleges:		
Chafee Foster Care Independence Program - Youth Empowerment Strategies for Success	93.674	27,359
Passed through Los Rios Community College District:		
Information Technology Professionals in Health Care	93.721	127,749
Direct Program:		
Head Start	93.600	370,483
Total U.S. Department of Health and Human Services		1,846,258
U.S. Department of Agriculture		
Passed through California Department of Education:		
Child and Adult Care Food Program - Child Care Food Services	10.558	30,988
Child and Adult Care Food Program - Promoting Integrity NOW (PIN)	10.558	144,764
Child and Adult Care Food Program - Food for Thought Training	10.558	120,034
Child and Adult Care Food Program - Mandatory Training	10.558	164,995
Child and Adult Care Food Program - On-line Trainings	10.558	58,411
Child and Adult Care Food Program - Healthy & Active Preschoolers	10.558	72,660
Subtotal Child and Adult Care Food Program		591,852

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture (Continued)		
Passed through California Department of Education:		
Summer Food Service Program for Children	10.559	$ 9,147
Passed through California Department of Food and Agriculture:		
Specialty Commodity Opportunity Outlook	10.170	85,627
Specialty Crop Block Grant - COP to Kyoto Protocol	10.170	5,144
Specialty Crop Block Grant - Farm Bill	10.170	131,714
Direct Program:		
CSREES- Partnership in Agriculture	10.223	130,555
Total U.S. Department of Agriculture		954,039
U.S. Agency for International Development		
Passed through Georgetown University:		
SEED (Cycle 06)	98.012	311,295
SEED (Cycle 09)	98.012	243,069
Total U.S. Agency for International Development		554,364
U.S. Department of Housing and Urban Development		
Hispanic Serving Institutions Assisting Communities Program	14.514	109,886
U.S. National Science Foundation		
Direct Programs:		
Biological Sciences - Survey of the Tardigrades at the LT Environmental Sites	47.074	18,243
Passed through Foundation for California State University, Fresno:		
Trans-NSF Recovery Act Research Support - METRO	47.082	18,763
Total U.S. National Science Foundation		37,006
U.S. Department of Veteran Affairs		
Veterans Information and Assistance - Reporting Fees	64.115	6,461
Total Federal Programs		$ 75,351,844

See accompanying notes to supplementary information.

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2011

	Program Entitlements			Program Revenues				
	Prior Year Carry-forward	Current Entitlement	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue/ Accounts Payable	Total	Program Expend-itures
Basic Skills	$ 307,012	$ 673,870	$ 980,882	$ 980,882		$ 565,357	$ 415,525	$ 415,525
BFAP	111,304	1,407,704	1,519,008	1,519,008		65,673	1,453,335	1,453,335
CARE	52	188,682	188,734	188,734		1,924	186,810	186,810
Cal Grants		4,034,088	4,034,088	4,112,009		77,921	4,034,088	4,034,088
California High School Exit Exam (CAHSEE)	52,345		52,345	27,650		263	27,387	27,387
CalWORKs		721,160	721,160	721,160		21,662	699,498	699,498
Career Advancement Academy Implementation Grant	543,728		543,728	543,728			543,728	543,728
Center for International Trade (CITD)	69,391		69,391	69,391			69,391	69,391
Community Collaborative Projects	317,838	400,000	717,838	717,838		452,820	265,018	265,018
Disabled Students Services (DSPS)	132,258	1,413,063	1,545,321	1,545,321			1,545,321	1,545,321
Economic Opportunity Programs and Services (EOPS)	23,438	1,677,584	1,701,022	1,700,422		8	1,700,414	1,700,414
Enrollment Growth - Associate Degree Nursing Program	110,863	260,687	371,550	255,220	$ 108,015		363,235	363,235
Entrepreneurship Career Pathway (ECP)	35,000		35,000	35,000			35,000	35,000
Equal Employment Opportunity Fund		11,254	11,254	11,254			11,254	11,254
Foster Care Education		180,456	180,456	112,974	65,264		178,238	178,238
HUB - CITD	33,937	99,500	133,437	69,937		5,174	64,763	64,763
IDRC - CITD	43,916		43,916	43,916			43,916	43,916
IDRC - Solar Photovoltaic Grant		198,147	198,147	118,888	61,587		180,475	180,475
ICI - Sexual Assault Course		25,572	25,572		16,453		16,453	16,453
Math and Science Teach Initiative Fund (MSTI)	9,000		9,000	9,000		679	8,321	8,321
Matriculation	19,405	797,502	816,907	816,907		200	816,707	816,707
Noncredit Matriculation		10,267	10,267	10,267			10,267	10,267
Peace Officer Standards and Training (POST)		97,155	97,155	8,404	63,480		71,884	71,884
Song Brown		70,001	70,001	52,486	17,515		70,001	70,001

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS
(Continued)
For the Year Ended June 30, 2011

	Program Entitlements			Program Revenues				
	Prior Year Carry-forward	Current Entitlement	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue/ Accounts Payable	Total	Program Expend-itures
Supplemental Funding for CD Training Consortium		$ 14,860	$ 14,860	$ 4,803	$ 8,090		$ 12,893	$ 12,893
Supplemental Funding for Foster Care Classes		10,000	10,000	3,978	5,388		9,366	9,366
Transfer and Articulation	$ 1,005		1,005	1,005			1,005	1,005
Total State Programs	$ 1,810,492	$ 12,291,552	$ 14,102,044	$ 13,680,182	$ 345,792	$ 1,191,681	$ 12,834,293	$ 12,834,293

See accompany notes to
supplementary information.

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT

Annual Attendance as of June 30, 2011

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2010 only)			
1. Noncredit	96		96
2. Credit	2,634	(1)	2,633
B. Summer Intersession (Summer 2011 - Prior to June 30, 2011)			
1. Noncredit	2		2
2. Credit	23		23
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	22,090	(53)	22,037
b. Daily Census Contact Hours	1,741		1,741
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	390	3	393
b. Credit	787	14	801
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	1,247	1	1,248
b. Daily Census Contact Hours	140		140
c. Noncredit Independent Study/ Distance Education Courses	-		-
D. Total FTES	29,150	(36)	29,114
Supplemental Information:			
E. In-Service Training Courses (FTES)	582		582
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	226		226
b. Credit	1,987	(34)	1,953
CCFS 320 Addendum			
CDCP	-		-
Centers FTES			
a. Noncredit	234	(11)	223
b. Credit	6,898	229	7,127

See accompanying notes to supplementary 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, 2011

	Student Financial Aid Fund
June 30, 2011 Annual Financial and Budget Report (CCFS-311) Fund Balance	$ -
To adjust the allowance on student receivables	(503,650)
June 30, 2011 Audit Fund Balance	$ (503,650)

	Bond Interest and Redemption Fund
June 30, 2011 Annual Financial and Budget Report (CCFS-311) Fund Balance	$ 6,779,167
Adjustment to reverse accrued interest on debt recorded in fund balance	2,370,187
June 30, 2011 Audit Fund Balance	$ 9,149,354

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

See accompanying notes to supplementary 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 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 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 Chancellor's Office.

C - Schedule of Workload Measures for State General Apportionment

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

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

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

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
State Center Community College District
Fresno, California

We have audited the compliance of State Center Community College District with the types of compliance requirements described in Section 400 of the California State Chancellor's Office's *California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2011. Compliance with the requirements of state laws and regulations 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 Untied 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 noncompliance with the state laws and regulations listed below 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 of State Center Community College District's compliance with those requirements.

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 *CDAM*:

- Salaries of Classroom Instructors (50 Percent Law)
- Apportionment for Instructional Service Agreements/Contracts
- State General Apportionment Funding System
- Residency Determination for Credit Courses
- Students Actively Enrolled
- Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Gann Limit Calculation
- Enrollment Fee
- California Work Opportunity and Responsibility to Kids (CalWORKs)
- Open Enrollment
- Student Fees-Instructional Materials and Health Fees
- Economic and Workforce Development (EWD)
- Extended Opportunity Programs and Services (EOPS)
- Disabled Student Programs and Services (DSPS)
- Cooperative Agencies Resources for Education (CARE)
- Preference for Veterans and Qualified Spouse for Federally Funded Qualified
- Training Programs
- To Be Arranged Hours (TBA)

INDEPENDENT AUDITORS' REPORT
ON STATE COMPLIANCE REQUIREMENTS
(Continued)

In our opinion, the State Center Community College District complied, in all material respects with the aforementioned requirements for the year ended June 30, 2011. However, we identified a certain deficiency in compliance that we consider to be immaterial as described in the Schedule of Audit Findings and Questioned Costs as Finding 2011-01.

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, the California Community Colleges Chancellor's Office 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 21, 2011

INDEPENDENT AUDITORS' 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 business-type activities and the discretely presented component unit of State Center Community College District as of and for the year ended June 30, 2011, which collectively comprises basic financial statements, and have issued our report thereon dated December 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 20, 2011 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. The financial statements of State Center Community College Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of State Center Community College District is responsible for establishing and maintaining effective 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.

INDEPENDENT AUDITORS' 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*

(Continued)

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, grant agreements, and other matters, 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*.

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 21, 2011

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

Board of Trustees
State Center Community College District
Fresno, California

Compliance

We have audited State Center Community College District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of State Center Community College District's major Federal programs for the year ended June 30, 2011. State Center Community College District's major Federal programs are identified in the summary of auditors' 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*. 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 compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of State Center Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered State Center Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the 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.

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 was not designed to 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 21, 2011

FINDINGS AND RECOMMENDATIONS

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' 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 auditors' 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, 84.268, 84.375	Student Financial Aid Cluster
84.243	Vocational and Applied Technology Education Act
17.258, 17.260	WIA Cluster
17.269	Community Job Based Training - Health Care Training Grant
93.558	Temporary Assistance for Needy Families
93.600	Head Start
10.558	Child and Adult Care Food Program
98.012	SEED

Dollar threshold used to distinguish between Type A and Type B programs: $ 342,621

Auditee qualified as low-risk auditee? __X__ Yes ______ No

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS
(Continued)

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 auditors' report issued on compliance for state programs:	Unqualified	

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2011

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2001-01 ATTENDANCE

Criteria

2010-11 Contracted District Audit Manual, Item No. 424, *State General Apportionment Funding System (Revised)*.

Condition

- District incorrectly claimed an alternative attendance course type as weekly census. Furthermore, the maximum number of units available for the variable unit course were reported and not the actual units completed by the students. Resulting overstatement for the course was 2.26 FTES.

- District incorrectly scheduled courses with partial class hours exceeding 45 minutes resulting in an extrapolated overstatement of 5.42 FTES.

Effect

District overstated FTES on the CCFS-320 Annual.

Cause

Proper internal controls are not in place to mitigate human error in the calculation of contact hours for alternative attendance course types. The District was unaware a partial class hour could not exceed 45 minutes.

Fiscal Impact

Not applicable as District re-submitted the CCFS-320 on October 31, 2011.

Recommendation

The District should implement additional review procedures to ensure contact hours are appropriately calculated and courses are appropriately scheduled.

Corrective Action Plan

The District reviewed all course sections and determined actual overstatement of 39.08 resident credit FTES and understatement of 2.64 resident noncredit FTES. Nonresident FTES were also understated by 4.9 FTES.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2011

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
2010-01 The District did not receive verification from the K-12 district that the student can benefit from advanced scholastic education, for six students. The District should implement a process to ensure verification is received for all special admit students.	Implemented.	