STATE CENTER COMMUNITY COLLEGE DISTRICT
Fresno, California

FINANCIAL STATEMENTS
June 30, 2012

STATE CENTER COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2012

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FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2012

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Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

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, discretely presented component unit and fiduciary activities of State Center Community College District (the "District") as of and for the year ended June 30, 2012, 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 opinions on these financial statements based on our audits. 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 November 30, 2012 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 audit and the report of the other auditors provides a reasonable basis for our opinions.

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, the discretely presented component unit and fiduciary net assets of State Center Community College District as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2012, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on page 3 and the Required Supplementary Information, such as the Schedule of Postemployment Benefits (OPEB) Funding Progress on page 43, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the District's basic financial statements that collectively comprise State Center Community College District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the California Community Colleges Chancellor's Office *Contracted District Audit Manual* and other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The other supplemental information listed in the table of contents have been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other supplemental information listed in the table of contents are fairly presented, in all material respects, in relation to the financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

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

USING THIS ANNUAL REPORT

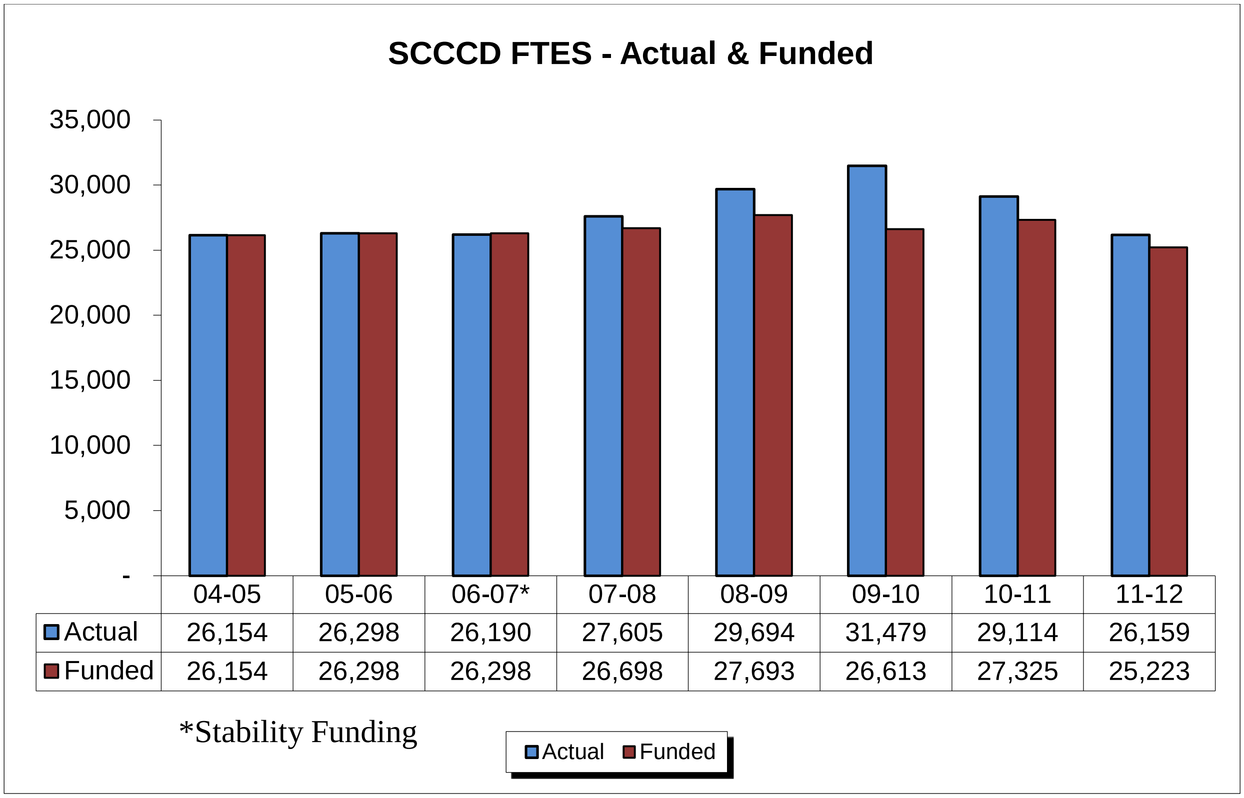
As required by the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments," and GASB Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," the annual report consists of three basic financial statements that provide information on the district's activities as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses, and Change in Net Assets; and the Statement of Cash Flows. These statements are prepared using the Business Type Activity (BTA) model, which is in compliance with the California Community College Chancellor's Office recommendation to report in a manner consistent with other California community college districts.

The focus of the Statement of Net Assets is designed to be similar to bottom-line results for the district. This statement combines and consolidates current financial resources (net short-term spendable resources) with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Change in Net Assets focus on the costs of the district's operational activities, which are supported mainly by student tuition and fees. 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

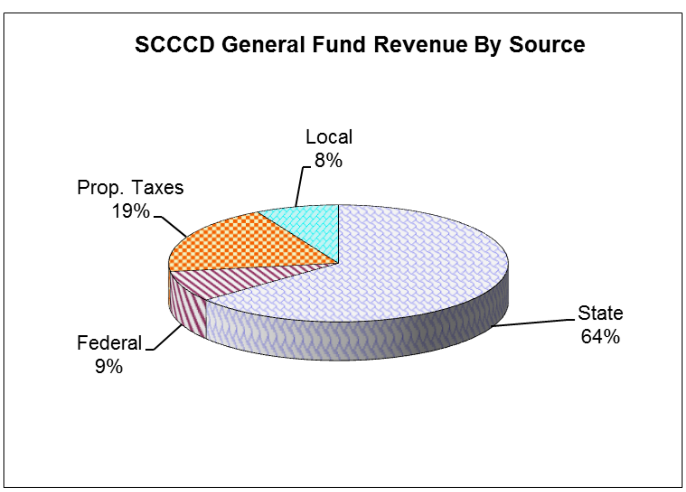
The district's primary funding source is based upon apportionment revenue received from the state. The key component of apportionment is the calculation of Full-Time Equivalent Students (FTES). Based on the annual CCFS-320 report, SCCCD resident FTES reported for the 2011-12 fiscal year was 26,159 – a 10.1% decrease from the prior year. In 2011-12, the community college system was reduced $385 million in funding or a 7.2% reduction in funded FTES from the prior year. With the continuing weak economy and high unemployment rate, as well as tuition fee increases at the UC and CSU level, course demand for the district and the community college system have continued to exceed available state funding. 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 career technical education.

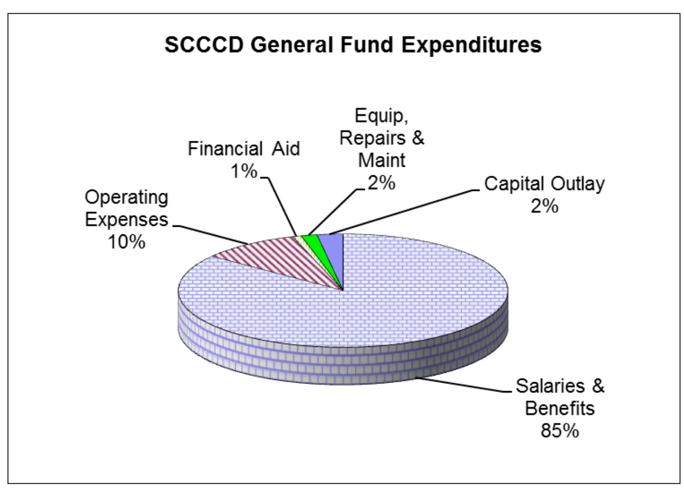
Even though the district generated 26,159 FTES in 2011-12, the district was paid for only 25,223 FTES due to lack of state funds to pay districts for all earned FTES. Further complicating this issue, the state deficit funded the district approximately $2,950,000. In total for 2011-12, the district was underpaid by approximately $4.4 million in apportionment funding ($1.4 million in unfunded FTES and $3.0 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.



	04-05	05-06	06-07*	07-08	08-09	09-10	10-11	11-12
Actual	26,154	26,298	26,190	27,605	29,694	31,479	29,114	26,159
Funded	26,154	26,298	26,298	26,698	27,693	26,613	27,325	25,223

The 2011-12 state budget included an increased apportionment inter-year deferral to the community college system that grew by an additional $129 million, for the second year in a row, to a total annual deferral of $961 million. The deferred revenue was accumulated by reducing the following monthly apportionments: January ($158 million), February ($158 million), March ($119.5 million), April ($179.5 million), May ($124.5 million), and June ($221.5 million). Additionally, two intra-year deferrals totaling $300 million remained in effect for the year (originating 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 $28 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 (divided into either expendable or nonexpendable.) 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	**2012**	**2011**
Cash, Investments, and Short-Term Receivables	$ 74,524	$ 74,794
Inventory and Prepaid Expenditures	2,143	1,954
TOTAL CURRENT ASSETS	76,667	76,748
NON-CURRENT ASSETS		
Restricted Cash	22,380	28,756
Capital Assets, Net of Depreciation	291,538	289,114
TOTAL NON-CURRENT ASSETS	313,918	317,870
TOTAL ASSETS	$ 390,585	$ 394,618
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 13,311	$ 13,239
Deferred Revenue	8,011	6,523
Amount Held in Trust on Behalf of Others	585	583
Compensated Absences Payable	3,345	3,418
Long Term Liabilities - Current Portion	1,887	3,292
TOTAL CURRENT LIABILITIES	27,139	27,055
NON-CURRENT LIABILITIES		
Long-Term Liabilities - Non-Current Portion	110,900	109,464
TOTAL LIABILITIES	138,039	136,519
NET ASSETS (Fund Bal)		
Investment in Capital Assets, Net of Related Debt	196,101	195,133
Restricted for Expendable Purposes	22,349	22,896
Unrestricted	34,096	40,070
TOTAL NET ASSETS	252,546	258,099
TOTAL LIABILITIES AND NET ASSETS	$ 390,585	$ 394,618

This schedule has been prepared from the district's Statement of Net Assets on page 11. Cash, investments, and short-term receivables consist primarily of funds held in the Fresno County Treasury and state apportionment receivable. Overall changes in the district's cash position are explained in the Statement of Cash Flows on page 15. Highlights of the major changes include an increase in the general fund apportionment receivable of $7.2 million due to the additional state apportionment deferral and holdback of redevelopment funding, which also results in having an equal reduction in cash at year-end. Restricted cash in the Measure E bonds, debt service, and capital projects funds decreased by $6.4 million due to debt payments and construction projects being completed. Capital assets, net of depreciation, increased by $2.4 million. Deferred revenues increased by $1.5 million due to the increase in the enrollment fee rate and grant funds held unspent at year-end. And lastly, overall long-term liabilities changed slightly due to increase in the retiree health benefits liability and in long-term disability liability; which were offset by the decrease in bond principal balances.

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. As of June 30, 2012, approximately $138 million has been expended of the $139.9 million available through the original bond issues and interest earnings. In March 2012 the district successfully refunded significant portions of the 2003 and 2004 series bond issuances in an attempt to lower the interest expense due to the currently available lower interest rates. The bond refunding resulted in a savings in excess of $2.2 million over the life of the bonds for the District's taxpayers.

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	**2012**	**2011**
Tuition & Fees	$ 10,285	$ 10,519
Grants & Contracts, Non-Capital	33,014	34,183
Auxillary Enterprises & Other Operating Revenues	4,262	4,294
TOTAL OPERATING REVENUES	47,561	48,996
OPERATING EXPENDITURES		
Salaries and Benefits	140,111	141,701
Supplies, Maintenance & Other Operating Expenses	25,038	24,632
Financial Aid	62,315	68,539
Depreciation	7,683	7,045
TOTAL OPERATING EXPENDITURES	235,147	241,917
OPERATING (LOSS)	(187,586)	(192,921)
NON-OPERATING REVENUES (EXPENSES)		
State Apportionment	87,300	99,570
Property Taxes	36,098	37,430
State Revenues	3,821	5,303
Pell Grant	52,198	56,921
Net Interest Income / (Expense)	(4,470)	(4,166)
Other Non-Operating Revenue	284	(78)
TOTAL NON-OPERATING REVENUES (EXPENSES)	175,231	194,980
(LOSS) / INCOME BEFORE OTHER REV AND EXP	(12,355)	2,059
CAPITAL REVENUE		
Federal, State and Local Capital Income	6,802	1,760
(DECREASE) / INCREASE IN NET ASSETS	(5,553)	3,819
NET ASSETS, BEGINNING	258,099	254,280
NET ASSETS, ENDING	$ 252,546	$ 258,099

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 13. Highlights of the significant changes include a decrease in non-capital grants and contracts of $1.2 million. Salary and benefits expenditures decreased by $1.6 million primarily due to reductions in the number of classes offered. Financial aid related expenditures decreased by $6.2 million as a result of serving fewer students, while Pell Grant revenues decreased by $4.7 million. State apportionment funding dramatically decreased $12.3 million as a result of workload reductions and a state deficit adjustment. Additionally, non-capital property taxes decreased by $1.3 million, lottery funding fell $0.6 million, and state mandate funding decreased $0.8 million. The district did receive an increase of nearly $5 million in state school bond funds for the Old Administration Building project. The Statement of Revenues, Expenses and Change in Net Assets saw an overall decrease in net assets of approximately $5.6 million.

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)	
	2012	**2011**
Cash provided by (used in)		
Operating activities	$ (174,754)	$ (191,623)
Non-capital financing activities	172,245	194,375
Capital financing activities	(13,381)	(13,785)
Investing activities	787	1,075
Net increase/(decrease) in cash	(15,103)	(9,958)
Cash, Beginning of Year	69,755	79,713
Cash, End of Year	$ 54,652	$ 69,755

Community College Districts in California rely heavily on state general apportionment and local property taxes to support 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. Operating activities consist primarily of revenue from student fees, grants, and contracts; and include payment of employee salaries and benefits and financial aid awards to students. General apportionment and property taxes are the primary sources of non-capital financing activities. The purchase of capital assets and construction projects, along with bond debt issuance and payments, are the main sources and uses of cash for capital financing activities. Whereas, investment activities relate primarily to interest earned on cash balances held in the county treasury.

Economic and Financial Factors Affecting the Future of the District

California's general fund revenues continue to remain strained due to the struggling state economy, high unemployment rate, and depressed housing market. For the second year, the Legislature passed its 2012-13 budget bill under Proposition 25's simple majority authority, rather than the previously required two-thirds vote that had been required for the past several decades. A major component of the approved budget plan assumed that the governor's *Schools and Local Public Safety Protection Act of 2012*, known as Proposition 30, would be passed in the general election to generate significant tax revenues needed to help balance the state's estimated $16 billion budget gap. The governor's budget, similar to the prior year budget, had built in mid-year trigger cuts in excess of $6 billion targeted primarily at the state's public educational agencies, if Proposition 30 were to fail. These cuts would have had major financial impacts on the K-12 and community colleges districts, as well as the state and university college systems.

Given the passage of Proposition 30 on November 6th, the state will generate additional revenues through temporary increases in the sales tax and personal income tax rates. The sales tax rate will increase by 0.25% for a four year period beginning in January 2013, while personal income tax rates will increase progressively from 1% to 3% on individuals earning in excess of $250,000 for a seven year period, effective for the 2012 calendar year. It is estimated these tax increases will generate from $6 to $8 billion annually. Also with the passage of Proposition 30, the community college system will see restored funding of approximately $209 million for fiscal year 2012-13. Of this funding, $159 million will be used to reduce the community college system's inter-year deferral, bringing the total annual deferral down to $802 million making more cash available to districts sooner. The remaining $50 million will be made available to the community college districts for restoration of previously imposed work load reductions.

Another area of concern for the district is the retirement cost of the two pension systems impacting California community colleges: CalPERS (California Public Employees' Retirement System) and CalSTRS (California State Teachers' Retirement System). For fiscal year 2011-12, both retirement systems saw investment earnings fall between 1% to 2% for the year; both below benchmarks. However, both systems are holding onto a greater than 7.5% earnings rate over a twenty-year period. The CalPERS system adjusted their employer contribution rates for 2012-13 up to 11.417%, an increase of 0.494%, 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 2012-13 has not changed and remains at 8.25%; however, at some point it would seem necessary for the CalSTRS retirement program will need to revise rates for both employees and employers. We anticipate the CalPERS rate will increase for fiscal year 2013-14; however, we are not certain when a change in the CalSTRS rate will occur.

Pension reform remains a very hot political issue, and without increased contribution rates, or changes to the plan benefits, the existing retirement systems will have a difficult time meeting future obligations to retirees. In September 2012 the governor signed a pension reform bill that passed with overwhelming bipartisan support in both houses of the state legislature. The bill is a modified version of the 12 point pension reform plan the governor proposed last fall. The new pension law is aimed to save California taxpayers billions of dollars in the future by reforming the current system that is woefully unfunded. Some of the changes enacted will be an increase in the retirement age for new employees depending on their job, caps on the annual payouts, elimination of numerous abuses of the system, such as salary spiking, and requiring workers not contributing half of the retirement costs to pay more. The changes affect the state and most local governments; however, local government labor unions will have a five-year window to negotiate through collective bargaining.

Employee health benefit cost increases also continue to be a major concern for the district. Also on the horizon is the evolving National Health Care Reform, which has yet to be determined fiscal and operational impacts. 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. The plan premiums for the FASBO coverage have remained relatively stable for the past several years with minimal changes to plan benefit (co-pays and deductibles) in an effort to maintain premiums near the negotiated district maximum contribution.

District employees may also choose health benefits from two other medical providers - Health Net or Kaiser; each offering a high and low premium plan. These plans are evaluated and selected by the bargaining group's membership as to the plan benefits and associated premiums. These plans have seen larger premium increases over the past two years in comparison to the FASBO plan. Effective for October 2012, State Center employees have the option of choosing from five different health care plans from the three medical providers. All plans now require employees to pay a portion of their health care premium, ranging from $17 to $266 per month depending on the plan selected.

In summary, California continues to struggle financially, with high unemployment, depressed housing values, and a lack-luster economy. The recent passage of the governor's Proposition 30 will help generate additional state revenues through increased sales taxes and personal income taxes, thus avoiding major cuts to an already underfunded educational system. The economic challenges California continues to face and the uncertainties of how our educational systems will be funded each year has continued to significantly impact the district's ability to establish any type of consistent budget plan for the future. The district will need to reflect on its mission and look critically at the level of services it can provide, or what services it needs to provide to an increasing diverse population of students looking for educational opportunities. The Board of Trustees and district administration have weathered these financial storms in the past and, as always, prudent fiscal management practices will remain in place to ensure the district maintains adequate reserves to sustain operations during these difficult budget times.

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$	32,272,469
Investments (Note 2)		2,578
Receivables, net (Note 3)		42,248,790
Prepaid expenses		317,567
Stores inventories		1,825,297
Total current assets		76,666,701
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)		22,379,942
Depreciable capital assets, net (Note 4)		250,513,215
Non-depreciable capital assets (Note 4)		41,025,264
Total noncurrent assets		313,918,421
Total assets	$	390,585,122
LIABILITIES		
Current liabilities:		
Accounts payable	$	13,311,146
Deferred revenue (Note 5)		8,010,995
Due to fiduciary funds		584,809
Compensated absences payable (Note 6)		3,345,072
Long-term liabilities - current portion (Note 6)		1,886,576
Total current liabilities		27,138,598
Noncurrent liabilities:		
Long-term liabilities - noncurrent portion (Note 6)		110,900,639
Total liabilities		138,039,237
Commitments and contingencies (Note 11)		
NET ASSETS		
Invested in capital assets, net of related debt		196,100,488
Restricted for:		
Capital projects		10,178,641
Educational programs		1,209,687
Self insurance		10,594,051
Other activities		366,883
Unrestricted		34,096,135
Total net assets		252,545,885
Total liabilities and net assets	$	390,585,122

See accompanying notes to 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, 2012

ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$	416,374
Receivables		11,643
Pledges receivable, net (Note 3)		24,205
Short term investments (Note 2)		645,281
Total current assets		1,097,503
Noncurrent assets:		
Pledges receivable, net of current portion (Note 3)		3,216
Investments, net of short-term investments (Note 2)		11,285,135
Total noncurrent assets		11,288,351
Total assets	$	12,385,854
LIABILITIES		
Accounts payable and accrued liabilities	$	108,805
Deferred revenue		1,000
Total liabilities		109,805
NET ASSETS		
Net assets:		
Unrestricted		194,910
Temporarily restricted		6,006,336
Permanently restricted		6,074,803
Total net assets		12,276,049
Total liabilities and net assets	$	12,385,854

See accompanying notes to financial statements.

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

For the Year Ended June 30, 2012

Operating revenues:	
Tuition and fees	$ 28,245,081
Less: scholarship discounts and allowances	(17,960,456)
Net tuition and fees	10,284,625
Grants and contracts, non-capital:	
Federal	18,180,128
State	13,729,565
Local	1,103,996
Auxiliary enterprise sales and charges:	
Bookstore	2,194,858
Cafeteria	652,756
Other operating local revenues	1,414,961
Total operating revenues	47,560,889
Operating expenses (Note 13):	
Salaries	106,780,845
Employee benefits (Notes 8 and 9)	33,329,882
Supplies, materials, and other operating expenses and services	22,479,671
Equipment, maintenance and repairs	2,558,865
Student aid	62,315,268
Depreciation (Note 4)	7,682,548
Total operating expenses	235,147,079
Loss from operations	(187,586,190)
Non-operating revenues (expenses):	
State apportionment, non-capital	87,299,782
Local property taxes (Note 7)	36,098,072
State taxes and other revenues	3,821,291
Pell grants	52,198,084
Investment income, net	783,025
Interest expense on capital asset-related debt, net	(5,252,267)
Other non-operating revenues, net	283,856
Total non-operating revenues (expenses)	175,231,843
Loss before capital revenues	(12,354,347)
Capital revenues:	
Local property taxes and revenues	6,801,660
Decrease in net assets	(5,552,687)
Net assets, July 1, 2011	258,098,572
Net assets, June 30, 2012	$ 252,545,885

See accompanying notes to 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, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Contributions	$ 178,676	$ 2,099,317	$ -	$ 2,277,993
Interest and dividend income (Note 2)	7,017	94,331	76,979	178,327
Realized gain on investments (Note 2)	741	15,349	9,353	25,443
Unrealized loss on investments (Note 2)	(4,945)	(43,093)	(88,697)	(136,735)
Net assets released from restrictions:				
Satisfaction of program restrictions	1,917,890	(1,917,890)	-	-
Income reallocations	-	69,904	(69,904)	-
Total revenues	2,099,379	317,918	(72,269)	2,345,028
Expenses:				
Program services:				
Educational activities	1,546,869	-	-	1,546,869
Scholarships and awards	405,251	-	-	405,251
Management and general	62,596	-	-	62,596
Fundraising	94,439	-	-	94,439
Total expenses	2,109,155	-	-	2,109,155
Change in net assets	(9,776)	317,918	(72,269)	235,873
Net assets, July 1, 2011	204,686	5,688,418	6,147,072	12,040,176
Net assets, June 30, 2012	$ 194,910	$ 6,006,336	$ 6,074,803	$ 12,276,049

See accompanying notes to financial statements.

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2012

Cash flows from operating activities:	
Tuition and fees	$ 10,244,057
Grants and contracts	33,053,654
Payments of scholarships and grants	(62,315,268)
Payments to suppliers and vendors	(23,416,749)
Payments to and on behalf of employees	(137,112,314)
Auxiliary enterprises sales and charges	3,378,247
Other operating local revenues	1,414,961
Net cash used in operating activities	(174,753,412)
Cash flows from noncapital financing activities:	
State appropriations	80,148,169
Local property taxes	36,098,072
State taxes and other revenues	4,002,554
Pell grants	52,198,084
Other non-operating expenses	(201,661)
Net cash provided by noncapital financing activities	172,245,218
Cash flows from capital and related financing activities:	
State apportionments for capital purposes	(1,531,446)
Capital grants received	6,801,660
Purchase of capital assets	(10,107,354)
Principal paid on capital debt and leases	(3,260,000)
Interest paid on capital debt, and leases, net	(5,283,763)
Net cash used in capital and related financing activities	(13,380,903)
Cash flows from investing activities:	
Investment income	789,109
Proceeds from investment maturities	(2,227)
Net cash provided by investing activities	786,882
Net decrease in cash and cash equivalents	(15,102,215)
Cash and cash equivalents, July 1, 2011	69,754,626
Cash and cash equivalents, June 30, 2012	$ 54,652,411

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2012

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (187,586,190)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	7,682,548
Changes in assets and liabilities:	
Receivables, net	530,030
Prepaid expenses	(52,176)
Inventories	(136,398)
Accounts payable and accrued liabilities	322,716
Deferred revenue	1,487,646
Other postemployment benefits and compensated absences	2,998,412
Net cash used in operating activities	$ (174,753,412)

Noncash capital and financing activities:

The District issued general obligation refunding bonds to refund existing debt outstanding. The proceeds from the refunding issuance totaled $27,292,863 and were deposited into an irrevocable trust account for the future defeasance of $24,920,000 of previously outstanding general obligation bonds.

See accompanying notes to financial statements.

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012

	Student Trust Funds	OPEB Irrevocable Trust Fund	Student Agency Funds
ASSETS			
Cash and cash equivalents (Note 2)	$ 91,642	$ -	$ 690,055
Investments (Note 2)	-	6,846,425	-
Receivables, net	3,182	-	864
Due from other funds	261,082	-	323,727
Total assets	$ 355,906	$ 6,846,425	$ 1,014,646
LIABILITIES			
Accounts payable	$ 45	$ -	$ 41,600
Deferred revenue	6,981	-	-
Due to others	-	-	973,046
Total liabilities	7,026	-	1,014,646
NET ASSETS			
Total net assets held in trust for other postemployment benefits	-	6,846,425	-
Total net assets held in trust	348,880	-	-
Total liabilities and net assets	$ 355,906	$ 6,846,425	$ 1,014,646

See accompanying notes to financial statements.

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS

For the Year Ended June 30, 2012

	Student Trust Funds	OPEB Irrevocable Trust Fund
Additions:		
Net interest income:		
Unrealized and realized gains, net	$ -	$ 61,822
Dividends and interest	74	224,270
Student fees	14,222	-
Other operating revenue	79,763	-
Other non-operating revenue	158,623	-
Total additions	252,682	286,092
Deductions:		
Administrative costs	-	50,857
Supplies, materials and other operating costs	107,185	-
Equipment, maintenance and repairs	2,276	-
Student aid	137,392	-
Total deductions	246,853	50,857
Net increase	5,829	235,235
Net assets held in trust:		
Net assets, July 1, 2011	343,051	6,611,190
Net assets, June 30, 2012	$ 348,880	$ 6,846,425

See accompanying notes to 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. 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 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. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred in accordance with accounting principles generally accepted in the United States of America. Classification 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 and are stated at fair value.

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 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

Receivables consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Receivables 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 $2,136,368 for the year ended June 30, 2012.

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 $42,815 at June 30, 2012. 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, 2012, the Foundation has applied an average discount rate of 7% to all contributions expected to be received in future years greater than one year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The District capitalizes interest paid on obligations related to the acquisition, construction or rehabilitation of District capital assets. Interest capitalized totaled $79,241 for the year ended June 30, 2012.

Compensated Absences

Compensated absence costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year end as liabilities of the District.

Accumulated Sick Leave

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

Deferred Revenue

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 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. Any prior year corrections due to a recalculation will be recorded in the year completed by the state. When known and measurable, these recalculations and corrections are accrued in the year in which FTES are generated.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On-Behalf Payments

GASB Cod. Sec. N50 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 $2,737,523 (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, 2012, 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, 2012, consisted of the following:

	District	Fiduciary
Pooled Funds:		
Cash in County Treasury	$ 25,628,762	$ 239,872
Deposits:		
Cash on hand and in banks	6,643,707	541,825
Cash held by Fiscal Agent	22,379,942	-
Total cash and cash equivalents	54,652,411	781,697
Less: restricted cash and cash equivalents		
Cash held by Fiscal Agent	22,379,942	-
Total restricted cash and cash equivalents	22,379,942	-
Net cash and cash equivalents	$ 32,272,469	$ 781,697

Foundation cash and cash equivalents at June 30, 2012, totaled $416,374.

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, 2012.

District investments at June 30, 2012 consisted of the following:

Mutual funds	$ 2,578

Investments held within the OPEB trust fund at June 30, 2012 consisted of the following:

Money market funds	$ 61,312
Mutual funds	6,785,113
Total investments	$ 6,846,425

Cash with Fiscal Agent

Cash with Fiscal Agent of $22,379,942 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). At June 30, 2012, the bank balance of the District's cash in banks, including Fiduciary funds, was $9,291,648 of which $8,279,161 was insured by the FDIC.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

Investments of $6,846,425 held in the OPEB trust fund are not insured.

At June 30, 2012, the bank balance of the Foundation's cash in banks was $412,737 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 or Notes	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	40%	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%
Collateralized Bank Deposits	5 years	None	None
Bank/Time Deposits	5 years	None	None
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, 2012, 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, 2012, the District and Foundation had no concentration of credit risk.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Foundation Investments

Foundation investments at June 30, 2012 consisted of the following:

California Local Agency Investment Fund	$ 645,281
American Funds	309,929
Destination Wealth Management	10,975,206
Total	11,930,416
Less: short term investments	(645,281)
Noncurrent investments	$ 11,285,135

Foundation investment income consisted of the following:

Interest and dividend income	$ 178,327
Realized gain on investments	25,443
Unrealized loss on investments	(136,735)
Total	$ 67,035

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

The following presents information about the Foundation's assets and liabilities measured at fair value on a recurring basis as of June 30, 2012, 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	$ 4,345,595	$ 4,345,595	$ -	$ -
Equity mutual funds	6,256,667	6,256,667	-	-
Money market funds	1,328,154	1,328,154	-	-
Total	$11,930,416	$11,930,416	$ -	$ -

There were no changes in the valuation techniques used during the year ended June 30, 2012.

The Foundation had no non recurring assets and no liabilities at June 30, 2012, which were required to be disclosed using the fair value hierarchy.

3. RECEIVABLES

Receivables

District receivables at June 30, 2012 are summarized as follows:

Federal	$ 4,718,701
State	35,334,888
Local and other	4,331,569
	44,385,158
Less allowance for doubtful accounts	(2,136,368)
	$ 42,248,790

Pledges Receivable

Pledges receivable with the Foundation as of June 30, 2012 consist of the following:

Pledges receivable	$ 70,447
Less: unamortized discount	(211)
Less: allowance for uncollectible pledges	(42,815)
Total	27,421
Less: short term pledges receivable	(24,205)
Pledges receivable, net of current portion	$ 3,216

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2011	Additions and Transfers	Deductions and Transfers	Balance June 30, 2012
Non-depreciable:				
Land	$ 31,646,516	$ -	$ -	$ 31,646,516
Construction in progress	4,359,101	8,777,872	(3,758,225)	9,378,748
Depreciable:				
Land improvements	21,670,785	1,859,777	-	23,530,562
Buildings and improvements	284,085,406	2,055,354	-	286,140,760
Furniture and equipment	12,273,793	1,131,636	(60,551)	13,344,878
Vehicles	2,142,449	40,940	(18,000)	2,165,389
Total	356,178,050	13,865,579	(3,836,776)	366,206,853
Less accumulated depreciation:				
Land improvements	2,002,958	970,083	-	2,973,041
Buildings and improvements	55,411,585	5,791,224	-	61,202,809
Furniture and equipment	7,861,663	795,959	(60,551)	8,597,071
Vehicles	1,788,171	125,282	(18,000)	1,895,453
Total	67,064,377	7,682,548	(78,551)	74,668,374
Capital assets, net	$ 289,113,673	$ 6,183,031	$ (3,758,225)	$ 291,538,479

5. DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

Deferred Federal and State revenue	$ 2,214,238
Deferred tuition and student fees	5,324,740
Deferred local grant revenue and other	472,017
Total deferred revenue	$ 8,010,995

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, 2012, 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. In March 2012, the District issued $23,880,000 of the General Obligation Refunding Bonds and the proceeds were used to refund a portion of the two outstanding principal amount of the District's election of the 2002 General Obligation Bond, Series 2003A. The bonds mature through August 1, 2013, with interest yields ranging from 2.00 to 5.00 percent. At June 30, 2012, the principal outstanding was $1,125,000.

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, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 550,000	$ 42,500	$ 592,500
2014	575,000	14,375	589,375
	$ 1,125,000	$ 56,875	$ 1,181,875

During June 2004, the District issued the 2002 General Obligation Bonds, Series 2004A in the amount of $25,000,000. In March 2012, the District issued $23,880,000 of the General Obligation Refunding Bonds and the proceeds were used to refund a portion of the outstanding principal and to extinguish the premium amounts of the District's election of the 2002 General Obligation Bonds, Series 2004A. The bonds mature through August 1, 2014, with interest yields ranging from 3.00 to 5.25 percent. At June 30, 2012, the principal outstanding was $1,875,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2004A outstanding as of June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 600,000	$ 63,000	$ 663,000
2014	625,000	38,500	663,500
2015	650,000	13,000	663,000
	$ 1,875,000	$ 114,500	$ 1,989,500

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, 2012, the principal outstanding was $63,055,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2007A outstanding as of June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,125,000	2,955,225	4,080,225
2018-2022	8,930,000	13,762,013	22,692,013
2023-2027	16,425,000	10,671,375	27,096,375
2028-2032	33,760,000	4,702,000	38,462,000
	$ 63,055,000	$ 44,258,013	$107,313,013

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, 2012, the principal outstanding was $6,475,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2009A outstanding as of June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	340,000	267,688	607,688
2018-2022	2,315,000	1,033,556	3,348,556
2023-2026	2,790,000	307,762	3,097,762
	$ 6,475,000	$ 2,798,233	$ 9,273,233

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, 2012, 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, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ -	$ 800,000	$ 800,000
2014	-	800,000	800,000
2015	-	800,000	800,000
2016	-	800,000	800,000
2017	-	800,000	800,000
2018-2022	-	4,000,000	4,000,000
2023-2027	950,000	3,962,000	4,912,000
2028-2032	5,985,000	2,493,000	8,478,000
2033-2034	3,065,000	249,400	3,314,400
	$ 10,000,000	$ 14,704,400	$ 24,704,400

The 2012 General Obligation Refunding Bonds in the amount of $23,880,000 were issued in March 2012 and the proceeds were used to advance refund a portion of the outstanding principal amount of the District's election of the 2002 General Obligation Bonds, Series 2003A and 2004A and to pay the costs of issuance associated with the Refunding Bonds. The bonds mature beginning on August 1, 2012 through August 1, 2028, with interest yields ranging from 2.00 to 5.00 percent. At June 30, 2012, the principal outstanding was $23,880,000 and unamortized premium was $3,632,027. Premiums are amortized over the life of the bonds as a component of interest expense on the bonds.

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,789,232. The difference, reported as a deduction from bonds payable, is charged to operations through June 2015 using the effective-interest method. The District completed the advance refunding to reduce its total debt service payments by $2.3 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $1.8 million.

Year Ending June 30,	Principal	Interest	Total
2013	$ 205,000	$ 922,163	$ 1,127,163
2014	65,000	1,093,325	1,158,325
2015	635,000	1,083,150	1,718,150
2016	1,290,000	1,047,825	2,337,825
2017	1,340,000	1,001,475	2,341,475
2018-2022	7,490,000	4,165,563	11,655,563
2023-2027	9,430,000	2,147,156	11,577,156
2028-2029	3,425,000	155,006	3,580,006
	$ 23,880,000	$ 11,615,663	$ 35,495,663

Long-Term Disability

The District provides a long-term disability program for regular permanent employees as prescribed in the various employee union contracts. Employees with a regular work assignment exceeding twenty hours per week are eligible to receive two-thirds of their monthly salary for a period of time commensurate to their years of service up to 5 years. Employees with more than 5 years of service are eligible for benefits up to the age of sixty-five. The District records a liability of the present value of future payments under the program. At June 30, 2012, fourteen employees were eligible to receive payments under the program and the liability totaled $2,124,594.

Changes in Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2012 is as follows:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Amounts Due Within One Year
General Obligation Bonds	$ 110,710,000	$ 23,880,000	$ 28,180,000	$ 106,410,000	$ 2,040,000
Premium on General Obligation Bonds	583,631	3,632,027	583,631	3,632,027	139,138
Deferred amount on refunding	-	(1,789,232)	-	(1,789,232)	(580,164)
Other postemployment benefits (Note 9)	1,463,294	2,037,192	1,090,660	2,409,826	-
Long-Term Disability Liability	-	2,124,594	-	2,124,594	287,602
Compensated absences	3,417,786	-	72,714	3,345,072	3,345,072
	$ 116,174,711	$ 29,884,581	$ 29,927,005	$ 116,132,287	$ 5,231,648

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.

State Teachers' Retirement System (STRS)

Plan Description

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

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

8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

State Teachers' Retirement System (STRS) (Continued)

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 2011-2012 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, 2012, 2011 and 2010 were \$5,305,172, \$5,342,314 and \$5,511,817, 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.

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 7.0% of their salary and the district is required to contribute an actuarially determined rate. The required employer contribution rate for fiscal year 2011-2012 was 10.923% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2011 and 2010 were \$3,498,303, \$3,546,497 and \$3,089,719, 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 1978-80. 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	73,165
Adjustment to annual required contribution	(30,269)
Annual OPEB cost	2,037,192
Contributions made	(1,090,660)
Increase in net OPEB obligation	946,532
Net OPEB liability - beginning of year	1,463,294
Net OPEB liability - end of year	$ 2,409,826

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, 2012 and preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 3,076,965	33.3%	$ 476,801
June 30, 2011	$ 1,987,867	50.4%	$ 1,463,294
June 30, 2012	$ 2,037,192	53.5%	$ 2,409,826

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. For the year ended June 30, 2012, the covered payroll (annual payroll of active employees covered by the Plan) was $83.6 million, and the ratio of the UAAL to the covered payroll was 19.7 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, included as Required Supplementary Information following this section, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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, 2012, was 26 years.

10. ENDOWMENT NET ASSETS - FOUNDATION

Changes in endowment net assets for the fiscal year ended June 30, 2012, consisted of the following:

Permanently restricted endowment net assets, beginning of year	$ 6,147,072
Investment return:	
Interest and dividends, net of expenses	76,979
Realized gain on sale of investments	9,353
Unrealized loss on investments	(88,697)
Net investment loss	(2,365)
Release of endowment earnings for program purposes	(69,904)
Permanently restricted endowment net assets, end of year	$ 6,074,803

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, 2012, the District has approximately $642,000 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 property, liability and workers' compensation insurance and FASBO provides employee medical, dental and vision benefits. State Center Community College District pays a premium commensurate with the level of coverage requested.

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

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

	VIP June 30, 2011	FASBO Sept. 30, 2011
Total assets	$ 23,934,960	$ 5,815,017
Total liabilities	$ 12,909,425	$ 3,406,333
Net assets	$ 11,025,535	$ 2,408,684
Total revenues	$ 3,845,352	$ 19,202,992
Total expenses	$ 2,819,937	$ 20,269,766
Change in net assets	$ 1,025,415	$ (1,066,774)

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, 2012.

Functional Classifications	Salaries	Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Equipment Maintenance and Repairs	Financial Aid	Depreciation	Total
Instruction	$ 56,309,820	$ 15,172,087	$ 2,469,237	$ 224,072	$ -	$ -	$ 74,175,216
Academic Support	12,110,876	3,922,184	2,098,501	986,470	-	-	19,118,031
Student Services	18,517,511	5,794,899	2,209,325	210,748	-	-	26,732,483
Operations and Maintenance of Plant	4,457,692	2,197,478	6,276,800	139,435	-	-	13,071,405
Institution Support	10,550,712	4,490,060	5,019,418	906,560	-	-	20,966,750
Community Support	1,373,088	379,905	1,373,857	21,316	-	-	3,148,166
Ancillary Services	3,461,146	1,373,269	3,030,920	70,264	-	99,805	8,035,404
Student Aid	-	-	1,613	-	62,315,268	-	62,316,881
Depreciation	-	-	-	-	-	7,582,743	7,582,743
	$ 106,780,845	$ 33,329,882	$ 22,479,671	$ 2,558,865	$ 62,315,268	$ 7,682,548	$ 235,147,079

REQUIRED SUPPLEMENTARY INFORMATION

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS

For the Year Ended June 30, 2012

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%
6/30/2012	July 1, 2010	$ 6,051,686	$ 22,482,531	$ 16,430,845	26.9%	$ 83,591,541	20%

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

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

ORGANIZATION

June 30, 2012

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 college centers, Willow International Center, Madera Center and Oakhurst Center. The District's two main colleges are each accredited by the Accrediting Commission for Community and Junior College, Western Association of Schools and Junior Colleges.

The Governing Board and District Administration for the fiscal year ended June 30, 2012 were composed of the following members:

BOARD OF TRUSTEES

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

DISTRICT ADMINISTRATION

Dr. Deborah G. Blue
Chancellor

Mr. Tony Cantu
President - Fresno City College

Dr. Mitjl Capet
President - Reedley College

Dr. Terral W. Kershaw
President- Willow International Community College Center

Mr. Edwin Eng
Vice Chancellor - Finance and Administration

Mr. Randy Rowe
Associate Vice Chancellor - Human Resources

Mr. Robert Fox
Interim 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, 2012

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	$ 894,888
Federal Work Study (FWS)	84.033	928,752
Federal Pell Grants (PELL)	84.063	52,198,084
Financial Aid Admin Allowance	84.063	66,950
Federal Direct Student Loans	84.268	3,853,450
Academic Competitiveness Grant	84.375	(3,689)
Subtotal Financial Aid Cluster		57,938,435
TRIO Cluster:		
Student Support Services	84.042A	1,371,217
Upward Bound	84.047	1,405,742
Subtotal TRIO Cluster		2,776,959
Higher Education Institutional Aid - Science, Technology, Engineering, Math Improvement Projects	84.031C	748,097
Higher Education Institutional Aid, Title V - COOP	84.031S	1,548,630
Subtotal Higher Education Institutional Aid		2,296,727
Minority Science Engineer Improvement Program	84.120A	183,259
Trade Assistance Through Business-Academic Linkages	84.153A	36,306
Passed through California Department of Rehabilitation:		
Rehabilitation Services - Workability	84.126A	162,032
Passed through California Community College Chancellor's Office:		
VATEA - Tech Prep	84.243	87,468
Career and Technical Education Cluster:		
Career and Technical Education, Title IB	84.048	303,100
Career and Technical Education, Title IC	84.048	1,496,526
Subtotal Career and Technical Education Cluster		1,799,626
Total U.S. Department of Education		65,280,812

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Labor		
WIA Cluster:		
Passed through California Employment Development Department:		
WIA Adult Program - Entrepreneurship Center Grant	17.258	$ 37,858
Passed through Fresno Workforce Development Board:		
WIA Dislocated Workers, Veteran Employment - Related Assistance Program	17.260	31,504
Subtotal WIA Cluster		69,362
Passed through Fresno Workforce Development Board:		
Welfare to Work Grants - Foster Bridge	17.253	111,395
Passed through West Hills Community College District:		
Trade Adjustment Assistance Community College and Career Training Program	17.282	133,978
Passed through Los Rios Community College District:		
Community Based Job Training - Health Care Training Grant	17.269	1,369,095
Total U.S. Department of Labor		1,683,830
U.S. Department of Health and Human Services		
Passed through California Department of Education:		
Child Care Development Fund Cluster		
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	144,638
Child Care and Development Block Grant - Training Consortium	93.575	23,589
Child Care and Development Block Grant - Early Child Mentor Program	93.575	2,215
Subtotal Child Care Development Fund Cluster		170,442

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2012

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	$ 231,738
Passed through Madera County Dept. of Social Services:		
TANF - Vocational Training	93.558	123,717
Passed through Tulare County Health & Human Services:		
TANF - Tulare CalWORKs Work Study Program	93.558	12,328
Passed through Fresno County Health & Human Services:		
TANF - CalWORKs Employment & Temporary Assistance	93.558	345,397
Subtotal TANF		713,180
Passed through Foundation for California Community Colleges:		
Chafee Foster Care Independence Program - Youth Empowerment Strategies for Success	93.674	22,489
Passed through Los Rios Community College District:		
Information Technology Professionals in Health Care	93.721	182,261
Direct Program:		
Head Start	93.600	326,736
Total U.S. Department of Health and Human Services		1,415,108
U.S. Department of Agriculture		
Passed through California Department of Education:		
Child and Adult Care Food Program:		
Child and Adult Care Food Program - Child Care Food Services	10.558	30,205
Child and Adult Care Food Program - Promoting Integrity NOW (PIN)	10.558	136,236
Child and Adult Care Food Program - Food for Thought Training	10.558	33,988
Subtotal Child and Adult Care Food Program		200,429
Child Nutrition - Mandatory Training	10.560	291,708
Child Nutrition - Healthy & Active Preschoolers	10.560	73,841
Subtotal Child Nutrition		365,549

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2012

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 Food and Agriculture:		
Specialty Commodity Opportunity Outlook	10.170	$ 47,323
Specialty Crop Block Grant	10.170	287,401
Direct Programs:		
Rural Business Enterprise Grant- CA Agricultural Resource Center	10.783	26,081
CSREES- Partnership in Agriculture	10.223	11,493
Total U.S. Department of Agriculture		938,276
U.S. Agency for International Development		
Passed through Georgetown University:		
SEED (Cycle 2009)	98.012	39,710
SEED (Cycle 2010)	98.012	317,683
SEED (Cycle 2011)	98.012	250,389
Total U.S. Agency for International Development		607,782
U.S. Department of Commerce Economic Development Administration		
Central California Rural Economic Development Project	11.307	40,012
U.S. Department of Housing and Urban Development		
Hispanic Serving Institutions Assisting Communities Program	14.514	250,147
U.S. National Science Foundation		
Direct Program:		
Biological Sciences - Survey of the Tardigrades at the LT Environmental Sites	47.074	16,212
Passed through Foundation for California State University, Fresno:		
Trans-NSF Recovery Act Research Support - METRO	47.082	18,130
Total U.S. National Science Foundation		34,342
U.S. Department of Environmental Protection Agency		
State Trade and Export Promotion	59.061	119,219
U.S. Department of Veteran Affairs		
Veterans Information and Assistance - Reporting Fees	64.115	8,684
Total Federal Programs		$ 70,378,212

See accompanying notes to supplementary information.

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2012

	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	$ 565,357	$ 298,946	$ 864,303	$ 864,303	$ -	$ 517,355	$ 346,948	$ 346,948
BFAP	65,673	1,391,108	1,456,781	1,456,781	-	-	1,456,781	1,456,781
CARE	-	189,566	189,566	189,566	-	-	189,566	189,566
Cal Grants	-	3,775,178	3,775,178	3,844,780	-	69,602	3,775,178	3,775,178
CalWORKs	-	764,402	764,402	774,402	87,484	119,781	742,105	742,105
Career Advancement Academy Implementation Grant	-	792,543	792,543	628,551	156,453	-	785,004	785,004
Community Collaborative Projects	452,820	348,000	800,820	731,220	-	390,025	341,195	341,195
CRY-ROP Teach Project	-	24,950	24,950	22,475	2,475	-	24,950	24,950
Disabled Students Services (DSPS)	-	1,481,103	1,481,103	1,481,103	-	-	1,481,103	1,481,103
Economic Opportunity Programs and Services (EOPS)	(250)	1,695,283	1,695,033	1,695,033	-	2,272	1,692,761	1,692,761
Enrollment Growth - Associate Degree Nursing Program	8,315	602,687	611,002	472,862	67,161	14,885	525,138	525,138
Equal Employment Opportunity Fund	-	11,254	11,254	11,254	-	371	10,883	10,883
Faculty Entrepreneurship Project	-	15,000	15,000	3,750	11,095	-	14,845	14,845
Foster Care Education	-	170,958	170,958	107,205	62,361	-	169,566	169,566
IDRC - CITD	-	210,071	210,071	126,043	-	126,043	-	-
IDRC - Solar Photovoltaic Grant	17,672	132,240	149,912	78,344	46,226	-	124,570	124,570
Math and Science Teach Initiative Fund (MSTI)	679	-	679	-	679	-	679	679
Matriculation	-	796,997	796,997	796,997	-	-	796,997	796,997
Noncredit Matriculation	-	10,267	10,267	10,267	-	-	10,267	10,267
Nursing Assessment and Remediation Grant	-	101,087	101,087	84,913	-	3,292	81,621	81,621
Peace Officer Standards and Training (POST)	-	129,305	129,305	-	74,792	-	74,792	74,792
Song Brown	-	40,001	40,001	28,652	11,349	-	40,001	40,001
Statewide Strategic Hubs	68,674	100,000	168,674	128,674	2,799	-	131,473	131,473

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS
(Continued)
For the Year Ended June 30, 2012

	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	$ -	$ 2,000	$ 2,000	$ 1,955	$ -	$ -	$ 1,955	$ 1,955
Supplemental Funding for Foster Care Classes	-	10,000	10,000	4,582	4,347	-	8,929	8,929
Workforce Innovation Partnership	-	443,750	443,750	310,000	-	204,892	105,108	105,108
Total State Programs	$ 1,178,940	$ 13,536,696	$ 14,715,636	$ 13,853,712	$ 527,221	$ 1,448,518	$ 12,932,415	$ 12,932,415

See accompanying notes to supplementary information.

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT

Annual Attendance as of June 30, 2012

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2011 only)			
1. Noncredit	43	-	43
2. Credit	1,190	-	1,190
B. Summer Intersession (Summer 2012) - Prior to July 1, 2012)			
1. Noncredit	2	-	2
2. Credit	205	-	205
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	19,382	-	19,382
b. Daily Census Contact Hours	1,677	-	1,677
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	815	-	815
b. Credit	1,457	-	1,457
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	1,158	-	1,158
b. Daily Census Contact Hours	230	-	230
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
D. Total FTES	26,159	-	26,159
Supplemental Information:			
E. In-Service Training Courses (FTES)	320	-	320
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	611	-	611
b. Credit	1,242	-	1,242
<u>CCFS 320 Addendum</u>			
CDCP	-	-	-
Centers FTES			
a. Noncredit	217	-	217
b. Credit	6,432	-	6,432

See accompanying notes to supplementary information.

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

For the Year Ended June 30, 2012

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

STATE CENTER COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION

For the Year Ended June 30, 2012

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 Reported Data	Audit Adjustments	Revised Data	Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional salaries:							
Contract or regular	1100	$ 37,395,430	$ -	$ 37,395,430	$ 37,395,430	$ -	$ 37,395,430
Other	1300	12,336,547	-	12,336,547	12,336,547	-	12,336,547
Total instructional salaries		49,731,977	-	49,731,977	49,731,977	-	49,731,977
Non-instructional salaries:							
Contract or regular	1200	-	-	-	13,037,103	-	13,037,103
Other	1400	-	-	-	1,801,297	-	1,801,297
Total non-instructional salaries		-	-	-	14,838,400	-	14,838,400
Total academic salaries		49,731,977	-	49,731,977	64,570,377	-	64,570,377
Classified Salaries							
Non-instructional salaries:							
Regular status	2100	-	-	-	21,710,413	-	21,710,413
Other	2300	-	-	-	1,541,200	-	1,541,200
Total non-instructional salaries		-	-	-	23,251,613	-	23,251,613
Instructional aides:							
Regular status	2200	1,456,436	-	1,456,436	1,456,436	-	1,456,436
Other	2400	597,637	-	597,637	597,637	-	597,637
Total instructional aides		2,054,073	-	2,054,073	2,054,073	-	2,054,073
Total classified salaries		2,054,073	-	2,054,073	25,305,686	-	25,305,686
Employee benefits	3000	13,494,734	-	13,494,734	27,576,276	-	27,576,276
Supplies and materials	4000	-	-	-	2,009,198	-	2,009,198
Other operating expenses	5000	157,704	-	157,704	10,434,812	-	10,434,812
Equipment replacement	6420	-	-	-	-	-	-
Total expenditures prior to exclusions		$ 65,438,488	$ -	$ 65,438,488	$129,896,349	$ -	$129,896,349

See accompanying notes to supplementary information.

STATE CENTER COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
(Continued)
For the Year Ended June 30, 2012

Exclusions	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 Reported Data	Audit Adjustments	Revised Data	Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 Reported Data	Audit Adjustments	Revised Data
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	$ 766,416	$ -	$ 766,416	$ 766,416	$ -	$ 766,416
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	-	-	-
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	466,273	-	466,273
Objects to exclude:							
Rents and leases	5060	-	-	-	105,873	-	105,873
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	17,717	-	17,717
Classified salaries	2000	-	-	-	60,912	-	60,912
Employee benefits	3000	-	-	-	104,273	-	104,273
Supplies and materials:	4000						
Software	4100	-	-	-	17,862	-	17,862
Books, magazines and periodicals	4200	-	-	-	2,622	-	2,622
Instructional supplies and materials	4300	-	-	-	62,634	-	62,634
Noninstructional supplies and materials	4400	-	-	-	536,902	-	536,902
Total supplies and materials		-	-	-	620,020	-	-
Other operating expenses and services	5000	-	-	-	2,250,292	-	2,250,292
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Equipment:	6400						
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	-	-	-
Total capital outlay		-	-	-	-	-	-
Other outgo	7000	-	-	-	-	-	-
Total exclusions		$ 766,416	$ -	$ 766,416	$ 4,391,776	$ -	$ 4,391,776
Total for ECS 84362, 50% Law		$ 64,672,072	$ -	$ 64,672,072	$ 125,504,573	$ -	$ 125,504,573
Percent of CEE (instructional salary cost /Total CEE)		51.53%	-	51.53%	100%	-	100%
50% of current expense of education					$ 62,752,287	$ -	$ 62,752,287

See accompanying notes to supplementary information.

STATE CENTER COMMUNITY COLLEGE DISTRICT

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.

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

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

Crowe Horwath LLP
Independent Member Crowe Horwath International

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, 2012. 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
- California Work Opportunity and Responsibility to Kids (CalWORKs)
- Open Enrollment
- Student Fees- Instructional Materials and Other Materials
- Student Fees- Health Fees and Use of Fee Funds
- Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Disabled Student Programs and Services (DSPS)
- Curriculum and Instruction
- To Be Arranged Hours (TBA)

As described in Findings 2012-02 and 2012-03 in the accompanying Schedule of Audit Findings and Questioned Costs, State Center Community College District did not comply with the requirements regarding Disabled Student Programs and Services (DSPS) and Cooperative Agencies Resources for Education (CARE). Compliance with such requirements is necessary, in our opinion, for State Center Community College District to comply with state laws and regulations applicable to DSPS and CARE.

In our opinion, except for the noncompliance with DSPS and CARE identified in the Schedule of Audit Findings and Questioned Costs as Findings 2012-02 and 2012-03, State Center Community College District complied, in all material respects with the aforementioned requirements for the year ended June 30, 2012. However, we identified certain instances of noncompliance that we consider to be immaterial as described in the Schedule of Audit Findings and Questioned Costs as Findings 2012-04, 2012-05 and 2012-06.

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

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
November 30, 2012

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, the discretely presented component unit and fiduciary activities of State Center Community College District as of and for the year ended June 30, 2012, which collectively comprises State Center Community College District's basic financial statements, and have issued our report thereon dated November 30, 2012. 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 November 13, 2012 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.

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
November 30, 2012

Crowe Horwath.

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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, 2012. 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2012-01.

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.

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.

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 State Center Community College District's response and, accordingly, express no opinion on it.

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
November 30, 2012

FINDINGS AND RECOMMENDATIONS

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

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)?	X Yes	____ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.268, 84.375	Student Financial Aid Cluster
84.048	Career and Technical Education, Title IB and IC
84.031C	Higher Education Institutional Aid

Dollar threshold used to distinguish between Type A and Type B programs:	$ 373,193	
Auditee qualified as low-risk auditee?	X Yes	____ No

STATE AWARDS

Type of auditors' report issued on compliance for state programs:	Qualified- DSPS; CARE

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2012-01 FEDERAL COMPLIANCE - EQUIPMENT INVENTORY

Criteria

OMB Circular A110, Property Standards, states: "A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment."

Condition

During the year ended June 30, 2012, the District purchased equipment worth $201,275 from federal programs, Career and Technical Education (Title IB and IC) and Higher Education Institutional Aid.

The last physical inventory report was completed for the period ending June 30, 2007 (report dated January 24, 2008). The District did not complete a physical inventory of capital assets for the period ending June 30, 2012, thus not complying with the bi-annual requirement.

Effect

The District is not in compliance with Federal requirements for the physical inventory of equipment.

Cause

The District did not perform a physical inventory of equipment for the period ending June 30, 2012.

Fiscal Impact

Not determinable.

Recommendation

The District should perform an inventory count of equipment every two years to comply with OMB Circular A-110.

Corrective Action Plan

The District will modify its inventory process to biennually review the District's fixed assets acquired with federal program dollars to comply with OMB Circular A-110. The process will ensure that District fixed assets are properly recorded, reconciled and physically observed on a routine basis.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2012-02 STATE COMPLIANCE - DISABLED STUDENTS PROGRAMS AND SERVICES (DSPS)

Criteria

CCR, Title 5 Section 56022 States: "An up-to-date SEC (Student Education Contract) for the current year, signed by the student and the DSPS professional staff person, should be available in the file of each student receiving services paid through the DSPS office."

Condition

District did not obtain up-to-date SEC contracts for all students served by DSPS.

Effect

The error resulted in the identification that the District is out of compliance for 94 out of 2,400 students served by DSPS.

Cause

Adequate procedures are not in place to ensure up-to-date SEC contracts are obtained, signed by both the student and the DSPS professional and maintained in each student's file.

Fiscal Impact

Not determinable.

Recommendation

The District should develop and implement procedures to ensure compliance with DSPS recordkeeping requirements.

Corrective Action Plan

The District has developed and implemented a semiannual review process and internal checklist procedure to ensure compliance with DSPS recordkeeping requirements. All DSPS participant files have been verified to include up to date SEC contracts for all students served. The compliance review checklist has been added to the front of all the DSPS participant files.

2012-03 STATE COMPLIANCE - COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE)

Criteria

Per guidelines set forth by the California State Chancellor's Office, the CARE program must maintain CalWORKs/TANF eligibility verification in each student's CARE file.

Condition

District did not maintain CalWORKs/TANF eligibility verification in one selected student's CARE file.

Effect

The extrapolated error resulted in the District being out of compliance for 6 out of 144 students served by CARE.

Cause

Adequate procedures are not in place to ensure eligibility verification documents are maintained in each student's CARE file.

Fiscal Impact

Not determinable.

Recommendation

The District should develop procedures to ensure compliance with CARE recordkeeping requirements.

Corrective Action Plan

Procedures to validate student eligibility will be reviewed with CARE program staff to ensure the procedures are followed. Each participant file will have two staff members review and sign-off before the individual will be eligible to receive program services.

2012-04 STATE COMPLIANCE - ECONOMIC OPPORTUNITY PROGRAMS AND SERVICES (EOPS) AND COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE)

Criteria

Per guidelines set forth by the California State Chancellor's Office, the EOPS program shall have an advisory committee appointed by the president of the college upon recommendation of the EOPS Director and each CARE program shall have an advisory committee and/or interagency group. The EOPS advisory committee shall meet at least once during each academic year. The CARE advisory committee and/or interagency group shall meet at least twice during each academic year.

Condition

District failed to have any advisory committee meetings for EOPS or CARE during the academic year.

Effect

District is not in compliance with the advisory committee meeting requirements for EOPS and CARE.

Cause

The District did not hold the one required advisory meeting for EOPS or the two required advisory meetings for CARE.

Fiscal Impact

Not determinable.

Recommendation

The District should implement procedures to schedule advisory committee meetings during the academic year for the EOPS and CARE programs.

Corrective Action Plan

The Director of EOPS will ensure that at least one meeting per semester will be scheduled for the Joint EOPS / CARE Advisory Committee. The Fall 2012 Advisory Committee meeting is scheduled for December 17, 2012.

2012-05 STATE COMPLIANCE - ATTENDANCE

Criteria

Contracted District Audit Manual, Item No. 424, *State General Apportionment Funding System.*

Condition

District incorrectly claimed a daily course type as a weekly census course.

Effect

District overstated the CCFS-320 Annual by 0.20 FTES.

Cause

District incorrectly classified the course due to manual data input error.

Fiscal Impact

Not determinable.

Recommendation

The District should implement additional review procedures to ensure all courses are classified by attendance type and in accordance with compliance requirements.

Corrective Action Plan

Effective spring 2012, all course sections with a TBA (to be arranged) lab component for Fresno City College were changed from weekly/daily census to positive attendance to ensure that only actual hours were reported on the 320 report. This finding is related to a Spanish class that had a TBA lab component and was taught during the fall 2011 semester.

2012-06 STATE COMPLIANCE - STUDENT HEALTH FEES

Criteria

Districts are permitted to charge a mandatory health fee under Education Code Section 76355. However, they must exempt from payment of such a fee, students who depend exclusively on prayer for healing and students under an approved apprenticeship program.

With respect to health fees, it is important that districts advise students of the exemptions from payment of the fees and have a process to ensure that students may claim the exemptions.

Condition

District did not advise students of the exemptions from payment of health fees nor did it have a process in place for students to claim an exemption.

Effect

District is out of compliance.

Cause

The District did not communicate the required exemptions from the payment of health fees in the Schedule of Classes or the General Catalog nor did it have a process in place for students to claim an exemption.

Fiscal Impact

Not determinable.

Recommendation

The District should ensure a process is in place for students to claim exemptions for payment of health fees and that process is communicated through the annual course catalog.

Corrective Action Plan

The District will implement a process to ensure that students are made aware of and can claim a health fee exemption per Education Code Section 76355. Information has already been made available on the college's website regarding the health fees.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2012

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
2011-01 • 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. The District should implement additional review procedures to ensure contact hours are appropriately calculated and courses are appropriately scheduled.	Partially Implemented	See current year finding 2012-04.