STATE CENTER COMMUNITY COLLEGE DISTRICT
Fresno, California

FINANCIAL STATEMENTS
June 30, 2013

STATE CENTER COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2013

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FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2013

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
State Center Community College District
Fresno, California

Report on the Financial Statements

We have audited the accompanying financial statements of 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, 2013, and the related notes to the financial statements, which collectively comprise State Center Community College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of State Center Community College Foundation, a discretely presented component unit. Those statements were audited by other auditors whose report dated October 31, 2013 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 from material misstatement. The financial statements of State Center Community College Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit and fiduciary activities, of State Center Community College District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3 to 8 and the Required Supplementary Information, such as the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 42 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 the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State Center Community College District's financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards and other supplementary information as listed in the table of contents 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 schedule of expenditures of federal awards and other supplementary information as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and other supplementary information as listed in the table of contents are fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013 on our consideration of State Center Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering State Center Community College District's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 18, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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

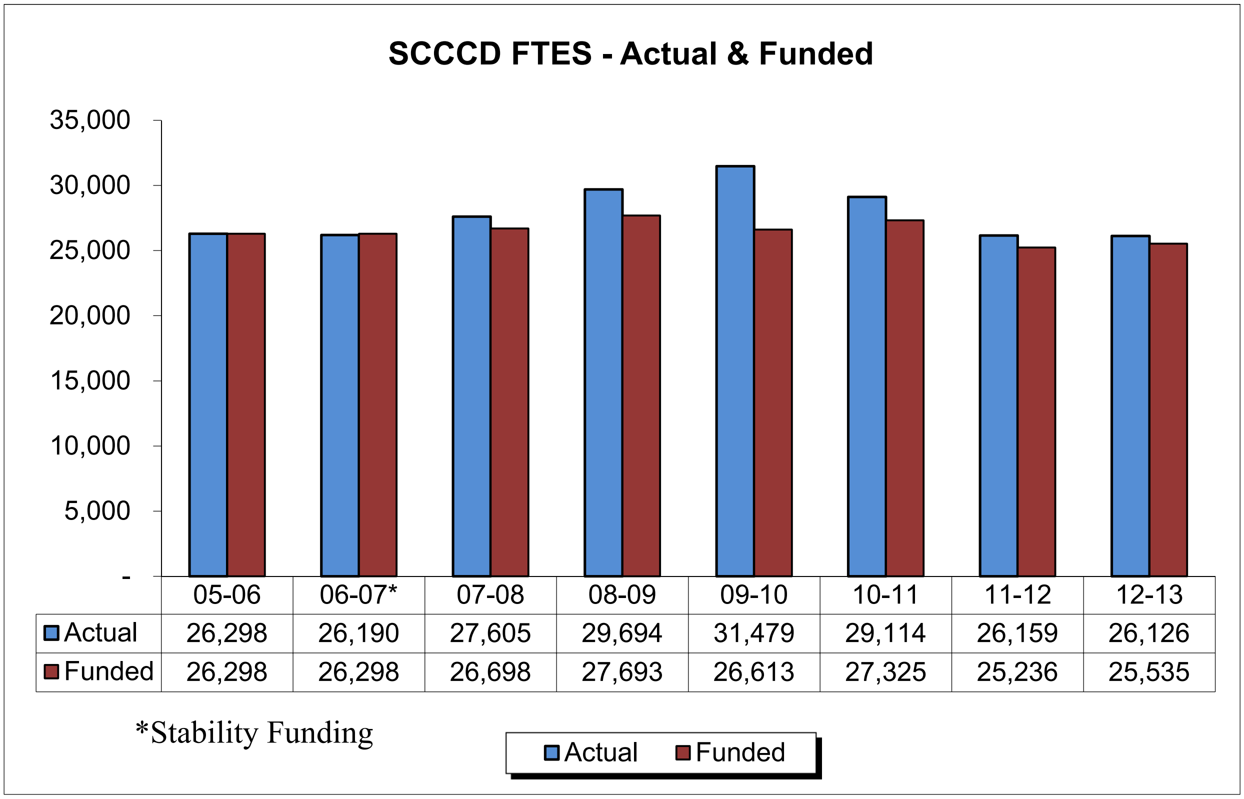
As required by the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments," and GASB Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges 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 Position; the Statement of Revenues, Expenses, and Change in Net Position; 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 Position 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 Position 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 recalc CCFS-320 report, SCCCD reported 26,126 resident FTES for the 2012-13 fiscal year – a 0.13% decrease from the prior year. In 2012-13, the community college system received restored access funding of $50 million or approximately a 0.9% increase in funded FTES from the prior year. With a slowly recovering economy and lingering unemployment rate, as well as the higher tuition fees at the UC and CSU institutions, course demand for the district and the community college system have continued to exceed available state funding. Due to the limited funding from the state, California community colleges must continue to be strategic in curriculum offerings, while focusing on the three core instructional areas of basic skills, transfer, and career technical education.

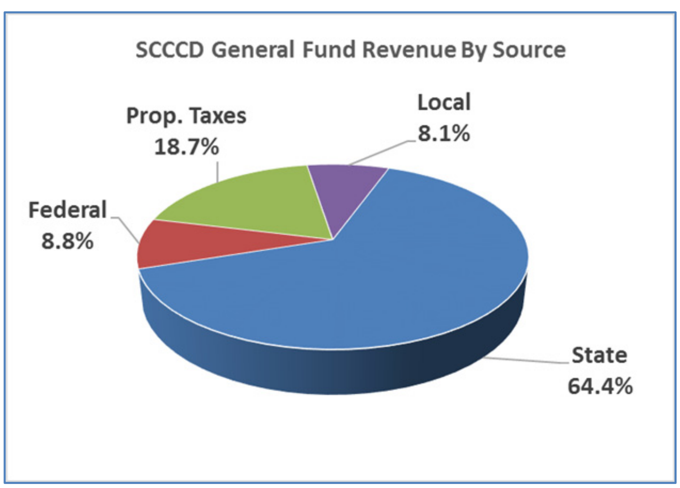
Even though the district generated 26,126 FTES in 2012-13, the district was only paid for 25,535 FTES due to lack of state funds to pay districts for all earned FTES. Further complicating this issue, the district is anticipating an estimated state deficit of $1.9 million. In total for 2012-13, the district was underpaid by approximately $4.4 million in apportionment funding ($2.5 million in unfunded FTES and $1.9 million in deficit) based on the second principal apportionment (P-2) and the Annual CCFS-320 report. The graph below demonstrates the historical differences between earned and funded FTES for the district.

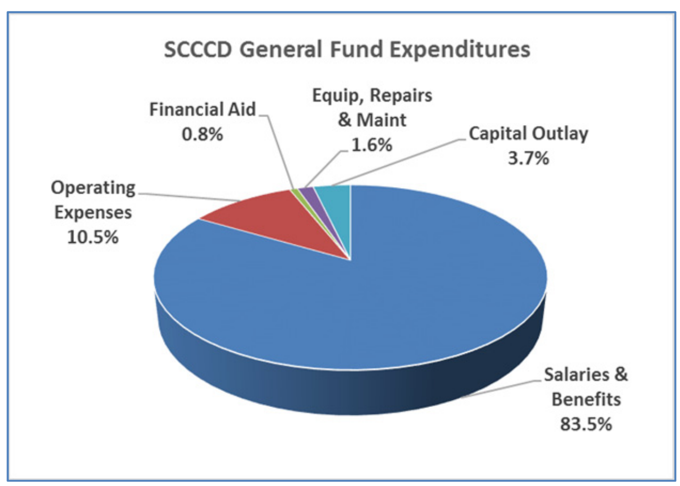


	05-06	06-07*	07-08	08-09	09-10	10-11	11-12	12-13
Actual	26,298	26,190	27,605	29,694	31,479	29,114	26,159	26,126
Funded	26,298	26,298	26,698	27,693	26,613	27,325	25,236	25,535

*Stability Funding

With the passage of Proposition 30, the 2012-13 inter-year apportionment deferral to the community college system declined by $159.9 million, and with an additional reduction of $178.6 million passed as part of the 2013-14 budget act, the deferral was reduced to $622.5 million, down from a high of $961.0 million. Additionally, two intra-year deferrals totaling $300 million remained in effect for the year (originating in 2009-10). The first was a $150 million deferral from July to December and the second was a $50 million deferral from September and a $100 million deferral from October both to be repaid in January. The state continues to use deferred payments to the community college system to help balance their cash-flow problems; however, the Governor is making significant strides in reducing down the state's inter-year borrowing. The district's share of this system-wide inter-year deferral was approximately $26.3 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 meet the needs of its students. 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 Position

The Statement of Net Position presents the assets, liabilities, and net position 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 position—the difference between assets and deferred outflow of resources less liabilities—is one way to measure the financial health of the district. This statement allows readers to determine the resources available to continue the operations of the district. The net position consists of three major categories: 1) Net investment in capital assets - The district's equity in property, plant, and equipment; 2) Restricted for expendable purposes – resources 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 – resources the district can use for any lawful purpose. Although unrestricted, the district's governing board may place internal restrictions on these resources, but it retains the power to change, remove, or modify these restrictions.

Condensed financial information is as follows:

	As of June 30th (in thousands)	
	2013	**2012**
ASSETS:		
CURRENT ASSETS		
Cash, Investments, and Short-Term Receivables	$ 71,581	$ 74,524
Inventory and Prepaid Expenditures	2,040	2,143
TOTAL CURRENT ASSETS	73,621	76,667
NON-CURRENT ASSETS		
Restricted Cash	18,901	22,380
Capital Assets, Net of Depreciation	290,538	291,538
TOTAL NON-CURRENT ASSETS	309,439	313,918
TOTAL ASSETS	383,060	390,585
DEFERRED OUTFLOW OF RESOURCES:		
Deferred Amount on Debt Refunding	1,209	1,789
TOTAL DEFERRED OUTFLOW OF RESOURCES	1,209	1,789
LIABILITIES:		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 12,437	$ 13,311
Unearned Revenue	7,683	8,011
Amount Held in Trust on Behalf of Others	565	585
Compensated Absences Payable	3,546	3,345
Long Term Liabilities	2,467	2,467
TOTAL CURRENT LIABILITIES	26,698	27,719
NON-CURRENT LIABILITIES		
Long-Term Liabilities	110,253	112,109
TOTAL LIABILITIES	136,951	139,828
NET POSITION:		
Net Investment in Capital Assets	191,904	194,311
Restricted for Expendable Purposes	21,411	22,349
Unrestricted	34,003	35,886
TOTAL NET POSITION	$ 247,318	$ 252,546

This schedule has been prepared from the district's Statement of Net Position on page 9. 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 pages 13 to 14. Highlights of the major changes include a decrease in the short-term receivable of $2.5 million primarily related to a lower state apportionment deferral. Restricted cash for the Measure E bond's debt service and capital projects funds decreased by $3.5 million due to debt payments and construction projects being completed. Capital assets, net of depreciation, decreased by $1.0 million. Lastly, overall long-term liabilities decreased $1.7 million primarily as a result of the decrease in the bond principal balances partially offset by an increase in the retiree health benefits liability.

Statement of Revenues, Expenses, and Change in Net Position

The Statement of Revenues, Expenses, and Change in Net Position 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	**2013**	**2012**
Tuition & Fees	$ 11,118	$ 10,285
Grants & Contracts, Non-Capital	32,426	33,014
Auxillary Enterprises & Other Operating Revenues	4,326	4,262
TOTAL OPERATING REVENUES	47,870	47,561
OPERATING EXPENDITURES		
Salaries and Benefits	137,774	140,111
Supplies, Maintenance & Other Operating Expenses	25,750	25,038
Financial Aid	59,004	62,315
Depreciation	8,174	7,683
TOTAL OPERATING EXPENDITURES	230,702	235,147
OPERATING (LOSS)	(182,832)	(187,586)
NON-OPERATING REVENUES (EXPENSES)		
State Apportionment	89,581	87,300
Property Taxes	36,542	36,098
State Revenues	4,397	3,821
Pell Grant	50,184	52,198
Net Interest Income / (Expense)	(5,043)	(4,470)
Other Non-Operating Revenue	271	284
TOTAL NON-OPERATING REVENUES (EXPENSES)	175,932	175,231
(LOSS) / INCOME BEFORE OTHER REV AND EXP	(6,900)	(12,355)
CAPITAL REVENUE		
Federal, State and Local Capital Income	1,672	6,802
(DECREASE) / INCREASE IN NET POSITION	(5,228)	(5,553)
NET POSITION, BEGINNING	252,546	258,099
NET POSITION, ENDING	$ 247,318	$ 252,546

Changes in total net position on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Change in Net Position. 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 Position presented on page 11. Highlights of the significant changes include an increase in Tuition and Fees by $0.8 million as a result of the increase in the enrollment fee to $46 per unit, while non-capital grants and contracts revenue decreased by $0.6 million. Salary and benefits expenditures decreased by $2.3 million primarily due to efficiencies, retirements, turn-overs and changes in the workforce which yielded savings. State apportionment funding increased $2.2 million as a result of state restored access funding related to the passage of Proposition 30, thereby offsetting a significant portion of the district's originally budgeted deficit of $6.8 million. Financial aid related expenditures decreased by $3.3 million as a result of receiving less grant funding, including a $2.0 million decrease in Pell grant awards. Additionally, the district received nearly $1.7 million in state school bond funds for the Old Administration Building project. The Statement of Revenues, Expenses and Change in Net Position saw an overall decrease in net position of approximately $5.2 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.

Condensed financial information is as follows:

	For the years Ended June 30th (in thousands)	
	2013	**2012**
Cash provided by (used in)		
Operating activities	$ (175,749)	$ (174,754)
Non-capital financing activities	182,303	172,245
Capital financing activities	(11,008)	(13,381)
Investing activities	494	787
Net increase/(decrease) in cash	(3,960)	(15,103)
Cash, Beginning of Year	54,652	69,755
Cash, End of Year	$ 50,692	$ 54,652

Operating Activities

Operating activities consist primarily of revenue from student tuition and fees, grants, and contracts; and include payment of employee salaries and benefits and financial aid awards to students.

Non-Capital Financing Activities

General apportionment and property taxes are the primary sources of non-capital financing activities. 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. Non-capital financing activities also include Federal Pell resources.

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.

Investing Activities

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 have been bolstered by the passage of Proposition 30, from the November 2012 general election, generating additional revenues for the state through temporary increases in the sales tax and personal income tax rates. It is estimated these temporary tax increases will generate from $6 to $8 billion annually, with a significant majority of these resources benefiting California's educational system. The State's economy seems to have turned the corner and is making a slow and gradual recovery. Housing prices and home inventory levels are showing signs of an improved real estate market and year to date revenues for the state are currently above the forecasted levels. Given the passage of Proposition 30, the community college system anticipates seeing additional funding over the next several years to restore the previously imposed work load reduction from fiscal year 2011-12. However, we must also recognize that Proposition 30 is a temporary source of revenue and we must pay attention to the economic health of the state and be on guard for the future should the state's economic recovery and related revenues decline.

The district continues to remain focused on the unfunded liability of the two pension systems impacting the California community college system: CalPERS (California Public Employees' Retirement System) and CalSTRS (California State Teachers' Retirement System). For fiscal year 2012-13, both retirement systems saw greatly improved investment earnings ranging from 12.5% for CalPERS to 13.8% for CalSTRS; both above their fund's discount rate of 7.5%. Both retirement systems continue to holding onto a 20 year investment return rate of 7.5% or better. The CalPERS system adjusted their employer contribution rates for 2013-14 up to 11.442%, a modest increase of 0.025%, which was much less than anticipated. The CalSTRS system cannot unilaterally increase employer and employee contribution rates as any rate change requires legislative action. The STRS employer contribution rate for 2013-14 has not changed and remains at 8.25%; however, it would seem necessary for the CalSTRS retirement program to revise rates for both employees and employers to address their unfunded liabilities. We anticipate that the CalPERS rate will remain flat or increase slightly for fiscal year 2014-15; however, we are not certain when a change in the CalSTRS rate will occur.

Employee health benefit cost increases also continue to be a major concern for the district. In addition, the Affordable Care Act (ACA) is continuing to unveil itself, and the full financial impacts are yet to be determined; however, it is most likely that health benefit related costs will be increasing. The District is a member 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. FASBO premiums 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. The district also offers two HMO medical plan providers, Kaiser and Health Net; however, both provider's plans have experienced double digit rate increases. Health Net offers a high and low premium plan, while Kaiser offers a high, medium and low premium plan. These plans are evaluated and selected by the bargaining group's membership as to the plan benefits and associated premiums. Effective for October 2013, State Center employees have the option of choosing from six different health care plans from the three medical providers. All plans, except for the Kaiser low plan, require employees to pay a portion of their health care premium, ranging from $17 to $464 per month depending on the plan selected.

In summary, California is beginning to see an improving economy and with the passage of the Governor supported Proposition 30, additional state revenues generated through increased sales and personal income taxes will be available for a limited time. California seems to operate in a boom or bust capacity, reaping strong revenues in times of economic prosperity, yet revenues falling dramatically when the economy and stock market struggle to perform. As a result of the unreliable nature of the state's revenue, community colleges will continue to face challenges and the uncertainties of how our educational systems will be funded each year, significantly impacting 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 difficult financial times in the past and, as always, prudent fiscal management practices will remain in place to ensure the district manages its financial resources in order to sustain operations during these challenging financial times.

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	$ 31,791,500
Investments (Note 2)	2,931
Receivables, net (Note 3)	39,786,715
Prepaid expenses	277,887
Stores inventories	1,761,710
Total current assets	73,620,743
Noncurrent assets:	
Restricted cash and cash equivalents (Note 2)	18,900,706
Depreciable capital assets, net (Note 4)	256,232,834
Non-depreciable capital assets (Note 4)	34,305,447
Total noncurrent assets	309,438,987
Total assets	383,059,730
DEFERRED OUTFLOWS	
Deferred loss from refunding of debt (Note 6)	1,209,068
LIABILITIES	
Current liabilities:	
Accounts payable	12,436,898
Unearned revenue (Note 5)	7,683,151
Due to fiduciary funds	565,671
Compensated absences payable (Note 6)	3,545,926
Long-term liabilities - current portion (Note 6)	2,466,768
Total current liabilities	26,698,414
Noncurrent liabilities:	
Long-term liabilities - noncurrent portion (Note 6)	110,252,864
Total liabilities	136,951,278
Commitments and contingencies (Note 11)	
NET POSITION	
Net investment in capital assets	191,903,355
Restricted for:	
Capital projects	9,137,518
Educational programs	1,252,125
Self insurance	10,632,411
Other activities	388,853
Unrestricted	34,003,258
Total net position	$ 247,317,520

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, 2013

ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	$ 380,801
Receivables	230
Pledges receivable, net	20,671
Short term investments (Note 2)	647,224
Total current assets	1,048,926
Noncurrent assets:	
Investments, net of short-term investments (Note 2)	12,085,182
Total assets	$ 13,134,108
LIABILITIES	
Accounts payable and accrued liabilities	$ 63,514
Deferred revenue	1,000
Total liabilities	64,514
NET ASSETS	
Net assets:	
Unrestricted	1,274,302
Temporarily restricted	5,052,242
Permanently restricted	6,743,050
Total net assets	13,069,594
Total liabilities and net assets	$ 13,134,108

See accompanying notes to financial statements.

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

For the Year Ended June 30, 2013

Operating revenues:	
Tuition and fees	$ 34,924,573
Less: scholarship discounts and allowances	(23,806,585)
Net tuition and fees	11,117,988
Grants and contracts, non-capital:	
Federal	17,937,318
State	13,342,426
Local	1,145,750
Auxiliary enterprise sales and charges:	
Bookstore	2,051,210
Cafeteria	625,491
Other operating local revenues	1,649,895
Total operating revenues	47,870,078
Operating expenses (Note 13):	
Salaries	105,826,108
Employee benefits (Notes 8 and 9)	31,948,147
Supplies, materials, and other operating expenses and services	23,144,028
Equipment, maintenance and repairs	2,605,620
Student aid	59,004,286
Depreciation (Note 4)	8,174,290
Total operating expenses	230,702,479
Loss from operations	(182,832,401)
Non-operating revenues (expenses):	
State apportionment, non-capital	89,580,715
Local property taxes (Note 7)	36,542,230
State taxes and other revenues	4,397,181
Pell grants	50,184,248
Investment income, net	452,920
Interest expense on capital asset-related debt, net	(5,495,941)
Other non-operating revenues, net	270,431
Total non-operating revenues (expenses)	175,931,784
Loss before capital revenues	(6,900,617)
Capital revenues:	
Local property taxes and revenues	1,672,252
Decrease in net position	(5,228,365)
Net position, July 1, 2012	252,545,885
Net position, June 30, 2013	$ 247,317,520

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, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Contributions	$ 258,647	$ 1,261,658	$ -	$ 1,520,305
Donated materials	-	154,216	-	154,216
Interest and dividend income (Note 2)	4,501	62,852	55,254	122,607
Realized (loss) gain on investments (Note 2)	(1,591)	3,712	(116,008)	(113,887)
Unrealized gain on investments (Note 2)	34,030	313,891	445,685	793,606
Net assets released from restrictions:				
Satisfaction of program restrictions	1,458,049	(1,458,049)	-	-
Satisfaction of time restrictions	1,009,058	(1,009,058)	-	-
Reclassification of endowments	-	(376,002)	376,002	-
Income reallocations	-	92,686	(92,686)	-
Total revenues	2,762,694	(954,094)	668,247	2,476,847
Expenses:				
Program services:				
Educational activities	960,939	-	-	960,939
Scholarships and awards	641,301	-	-	641,301
Management and general	-	-	-	-
Fundraising	81,062	-	-	81,062
Total expenses	1,683,302	-	-	1,683,302
Change in net assets	1,079,392	(954,094)	668,247	793,545
Net assets, July 1, 2012	194,910	6,006,336	6,074,803	12,276,049
Net assets, June 30, 2013	$ 1,274,302	$ 5,052,242	$ 6,743,050	$ 13,069,594

See accompanying notes to financial statements.

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2013

Cash flows from operating activities:	
Tuition and fees	$ 11,340,879
Grants and contracts	32,043,743
Payments of scholarships and grants	(59,004,286)
Payments to suppliers and vendors	(26,959,649)
Payments to and on behalf of employees	(137,251,078)
Auxiliary enterprises sales and charges	2,431,005
Other operating local revenues	1,649,895
Net cash used in operating activities	(175,749,491)
Cash flows from noncapital financing activities:	
State appropriations	90,441,692
Local property taxes	36,542,230
State taxes and other revenues	4,428,751
Pell grants	50,184,248
Other non-operating expenses	706,560
Net cash provided by noncapital financing activities	182,303,481
Cash flows from capital and related financing activities:	
State apportionments for capital purposes	1,486,723
Capital grants received	1,672,252
Purchase of capital assets	(7,183,661)
Principal paid on capital debt and leases	(2,179,138)
Interest paid on capital debt, and leases, net	(4,804,601)
Net cash used in capital and related financing activities	(11,008,425)
Cash flows from investing activities:	
Investment income	494,583
Proceeds from investment maturities	(353)
Net cash provided by investing activities	494,230
Net decrease in cash and cash equivalents	(3,960,205)
Cash and cash equivalents, July 1, 2012	54,652,411
Cash and cash equivalents, June 30, 2013	$ 50,692,206

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2013

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (182,832,401)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	8,174,290
Changes in assets and liabilities:	
Receivables, net	(404,556)
Prepaid expenses	39,680
Inventories	63,587
Accounts payable and accrued liabilities	(985,424)
Unearned revenue	(327,844)
Other postemployment benefits and compensated absences	523,177
Net cash used in operating activities	$ (175,749,491)

See accompanying notes to financial statements.

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	Student Trust Funds	OPEB Irrevocable Trust Fund	Student Agency Funds
ASSETS			
Cash and cash equivalents (Note 2)	$ 67,150	$ -	$ 662,970
Investments (Note 2)	-	6,976,818	-
Receivables, net	2,536	-	695
Due from other funds	237,903	-	327,768
Total assets	$ 307,589	$ 6,976,818	$ 991,433
LIABILITIES			
Accounts payable	$ 68	$ -	$ 31,250
Unearned revenue	8,177	-	-
Due to student groups	-	-	960,183
Total liabilities	8,245	-	991,433
NET POSITION			
Total net position held in trust for other postemployment benefits	-	6,976,818	-
Total net position held in trust	299,344	-	-
Total liabilities and net position	$ 307,589	$ 6,976,818	$ 991,433

See accompanying notes to financial statements.

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2013

	Student Trust Funds	OPEB Irrevocable Trust Fund
Additions:		
Net interest income:		
Unrealized and realized gains, net	$ -	$ 178,059
Dividends and interest	69	20,998
Student fees	12,680	-
Other operating revenue	72,119	-
Other non-operating revenue	127,139	-
Total additions	212,007	199,057
Deductions:		
Administrative costs	-	68,664
Supplies, materials and other operating costs	113,900	-
Equipment, maintenance and repairs	2,159	-
Student aid	145,484	-
Total deductions	261,543	68,664
Net (decrease) increase	(49,536)	130,393
Net position held in trust:		
Net position, July 1, 2012	348,880	6,846,425
Net position, June 30, 2013	$ 299,344	$ 6,976,818

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)

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 position.

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 $3,303,176 for the year ended June 30, 2013.

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 $43,026 at June 30, 2013. There are no unconditional promises to give that are expected to be collected beyond one year from June 30, 2013.

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 $90,865 for the year ended June 30, 2013.

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.

Unearned 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 unearned revenue until earned.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The District's net position is classified as follows:

Net i*nvestment in capital assets:* 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 of net investment in capital assets.

Restricted net position: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Nonspendable restricted net position consists 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 position: Unrestricted net position represents 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.

Net Assets

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 $3,223,939 (5.041% of salaries subject to CalSTRS).

Classification of Revenue and Expenses

The District has classified its revenues and expenses as either operating or nonoperating revenues and expenses. 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 and expenses: Operating revenues and expenses 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. All expenses are considered operating expenses except for interest expense on capital related debt.

Nonoperating revenues and expenses: 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. Interest expense on capital related debt is the only nonoperating expense.

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, 2013, 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.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus. The Statement improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board (FASB) Statements and Interpretations; (2) Accounting Principles Board Opinions; and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of GASB Statement No. 34, Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application being encouraged. This statement was adopted for the District's fiscal year ended June 30, 2013, as a result the District reclassified certain balances to deferred loss from refunding of debt totaling $1,209,068 at June 30, 2013.

In March 2012, the GASB issued Statement No. 66, Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, Districts should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application encouraged. Management has not determined what impact, if any, this GASB statement will have on the District's financial statements.

In June 2012, the GASB issued Statement No. 67, Financial Reporting for Pension Plans. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This Statement is effective for the District's financial period beginning July 1, 2013. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's financial period ending June 30, 2015. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 2013, consisted of the following:

	District	Fiduciary
Pooled Funds:		
Cash in County Treasury	$ 25,938,127	$ 226,210
Deposits:		
Cash on hand and in banks	5,853,373	503,910
Cash held by Fiscal Agent	18,900,706	-
Total cash and cash equivalents	50,692,206	730,120
Less: restricted cash and cash equivalents		
Cash held by Fiscal Agent	18,900,706	-
Total restricted cash and cash equivalents	18,900,706	-
Net cash and cash equivalents	$ 31,791,500	$ 730,120

Foundation cash and cash equivalents at June 30, 2013, totaled $380,801.

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, 2013.

District investments at June 30, 2013 consisted of the following:

Mutual funds	$ 2,931

Investments held within the OPEB trust fund at June 30, 2013 consisted of the following:

Money market funds	$ 43,538
Mutual funds	6,933,280
Total investments	$ 6,976,818

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash with Fiscal Agent

Cash with Fiscal Agent of $18,900,706 is held by a trustee for the improvement of campus facilities and debt service.

Custodial Credit Risk

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2013, the carrying amount of the District's accounts was $6,357,283, and the bank balances were $8,763,972, of which $8,124,217 was uninsured but collateralized.

Custodial Credit Risk (Continued)

Investments of $6,976,818 held in the OPEB trust fund are not insured.

At June 30, 2013, the bank balance of the Foundation's cash in banks was $438,886 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

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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, 2013, 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, 2013, the District and Foundation had no concentration of credit risk.

Foundation Investments

Foundation investments at June 30, 2013 consisted of the following:

California Local Agency Investment Fund	$ 647,224
American Funds	369,877
Destination Wealth Management	11,715,305
Total	12,732,406
Less: short term investments	(647,224)
Noncurrent investments	$ 12,085,182

Foundation investment income consisted of the following:

Interest and dividend income	$ 122,607
Realized loss on investments	(113,887)
Unrealized gain on investments	793,606
Total	$ 802,326

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.

3. RECEIVABLES

Receivables

District receivables at June 30, 2013 are summarized as follows:

Federal	$ 4,984,618
State	33,063,127
Local and other	5,042,146
	43,089,891
Less allowance for doubtful accounts	(3,303,176)
	$ 39,786,715

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2012	Additions and Transfers	Deductions and Transfers	Balance June 30, 2013
Non-depreciable:				
Land	$ 31,646,516	$ -	$ -	$ 31,646,516
Construction in progress	9,378,748	5,291,551	(12,011,368)	2,658,931
Depreciable:				
Land improvements	23,530,562	1,399,945	-	24,930,507
Buildings and improvements	286,140,760	10,507,654	-	296,648,414
Furniture and equipment	13,344,878	1,904,830	(142,638)	15,107,070
Vehicles	2,165,389	91,049	-	2,256,438
Total	366,206,853	19,195,029	(12,154,006)	373,247,876
Less accumulated depreciation:				
Land improvements	2,973,041	1,900,694	-	4,873,735
Buildings and improvements	61,202,809	5,228,725	-	66,431,534
Furniture and equipment	8,597,071	941,518	(133,069)	9,405,520
Vehicles	1,895,453	103,353	-	1,998,806
Total	74,668,374	8,174,290	(133,069)	82,709,595
Capital assets, net	$ 291,538,479	$ 11,020,739	$ (12,020,937)	$ 290,538,281

5. UNEARNED REVENUE

Unearned revenue for the District consisted of the following:

Unearned Federal and State revenue	$ 1,878,317
Unearned tuition and student fees	5,245,012
Unearned local grant revenue and other	559,822
Total unearned revenue	$ 7,683,151

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, 2013, 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, 2013, the principal outstanding was $575,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2003A outstanding as of June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 575,000	$ 14,375	$ 589,375

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, 2013, the principal outstanding was $1,275,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2004A outstanding as of June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 625,000	$ 38,500	$ 663,500
2015	650,000	13,000	663,000
	$ 1,275,000	$ 51,500	$ 1,326,500

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, 2013, the principal outstanding was $62,580,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2007A outstanding as of June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,320,000	2,905,500	4,225,500
2019-2023	10,205,000	13,300,888	23,505,888
2024-2028	18,265,000	9,804,125	28,069,125
2029-2032	29,325,000	3,124,875	32,449,875
	$ 62,580,000	$ 41,177,188	$ 103,757,188

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, 2013, the principal outstanding was $6,265,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2009A outstanding as of June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	380,000	249,688	629,688
2019-2023	2,545,000	913,706	3,458,706
2024-2026	2,180,000	177,924	2,357,924
	$ 6,265,000	$ 2,486,445	$ 8,751,445

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, 2013, 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, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ -	$ 800,000	$ 800,000
2015	-	800,000	800,000
2016	-	800,000	800,000
2017	-	800,000	800,000
2018	-	800,000	800,000
2019-2023	-	4,000,000	4,000,000
2024-2028	1,980,000	3,844,800	5,824,800
2029-2033	6,435,000	1,996,200	8,431,200
2034	1,585,000	63,400	1,648,400
	$ 10,000,000	$ 13,904,400	$ 23,904,400

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, 2013, the principal outstanding was $23,675,000 and unamortized premium was $3,492,889. 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 deferred loss from refunding of debt, 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
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	1,380,000	953,325	2,333,325
2019-2023	7,815,000	3,826,113	11,641,113
2024-2028	9,910,000	1,655,738	11,565,738
2029	1,240,000	32,549	1,272,549
	$ 23,675,000	$ 10,693,500	$ 34,368,500

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, 2013, fifteen employees were eligible to receive payments under the program and the liability totaled $1,626,249.

Changes in Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Amounts Due Within One Year
General Obligation Bonds	$ 106,410,000	$ -	$ 2,040,000	$ 104,370,000	$ 2,125,000
Premium on General Obligation Bonds	3,632,027	-	139,138	3,492,889	146,257
Other postemployment benefits (Note 9)	2,409,826	820,668	-	3,230,494	-
Long-Term Disability Liability	2,124,594	-	498,345	1,626,249	195,511
Compensated absences	3,345,072	200,854	-	3,545,926	3,545,926
	$ 117,921,519	$ 1,021,522	$ 2,677,483	$ 116,265,558	$ 6,012,694

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 2012-2013 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, 2013, 2012 and 2011 were $5,295,619, $5,305,172 and $5,342,314, 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 7.00% of their salary and the district is required to contribute an actuarially determined rate. The required employer contribution rate for fiscal year 2012-2013 was 11.417% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012 and 2011 were $3,554,880, $3,498,303 and $3,546,497, 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	$ 2,051,458
Interest on net OPEB obligation	120,491
Adjustment to annual required contribution	(152,985)
Annual OPEB cost	2,018,964
Contributions made	(1,198,296)
Increase in net OPEB obligation	820,668
Net OPEB liability - beginning of year	2,409,826
Net OPEB liability - end of year	$ 3,230,494

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, 2013 and preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$ 1,987,867	50.4%	$ 1,463,294
June 30, 2012	$ 2,037,192	53.5%	$ 2,409,826
June 30, 2013	$ 2,018,964	59.4%	$ 3,230,494

As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $23.8 million, and the actuarial value of assets was $6.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of $17.0 million. For the year ended June 30, 2013, the covered payroll (annual payroll of active employees covered by the Plan) was $82.4 million, and the ratio of the UAAL to the covered payroll was 20.6 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, 2012, 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 7.5 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, 2013, was 24 years.

10. ENDOWMENT NET ASSETS - FOUNDATION

Changes in endowment net assets for the fiscal year ended June 30, 2013, consisted of the following:

Permanently restricted endowment net assets, beginning of year	$ 6,074,803
Investment return:	
Interest and dividends, net of expenses	55,254
Realized loss on sale of investments	(116,008)
Unrealized gain on investments	445,685
Net investment gain	384,931
Reclassification of Endowment I, II and III	376,002
Release of endowment earnings for program purposes	(92,686)
Permanently restricted endowment net assets, end of year	$ 6,743,050

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, 2013, the District has approximately $1.8 million in outstanding commitments on construction contracts.

12. JOINT POWERS AGREEMENTS

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

12. JOINT POWERS AGREEMENTS (Continued)

The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including the selection of management and approval of operating budgets, independent of any influence by the member district beyond their representation on the governing board. VIP provides 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, 2012	FASBO Sept. 30, 2012
Total assets	$ 22,800,177	$ 7,332,736
Total liabilities	$ 10,490,675	$ 3,426,340
Net assets	$ 12,309,502	$ 3,906,396
Total revenues	$ 5,177,296	$ 18,470,102
Total expenses	$ 3,893,329	$ 16,972,390
Change in net assets	$ 1,283,967	$ 1,497,712

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, 2013.

Functional Classifications	Salaries	Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Equipment Maintenance and Repairs	Financial Aid	Depreciation	Total
Instruction	$ 53,884,450	$ 13,846,812	$ 2,311,132	$ 275,581	$ -	$ -	$ 70,317,975
Academic Support	14,171,478	4,414,899	2,017,408	1,046,614	-	-	21,650,399
Student Services	18,301,065	5,577,252	2,704,561	245,973	-	-	26,828,851
Operations and Maintenance of Plant	4,387,420	2,146,661	5,839,293	99,466	-	-	12,472,840
Institution Support	10,328,224	4,278,777	5,280,258	860,729	-	-	20,747,988
Community Support	1,308,073	360,550	1,855,380	11,681	-	-	3,535,684
Ancillary Services	3,445,398	1,323,196	3,135,996	65,576	-	99,804	8,069,970
Student Aid	-	-	-	-	59,004,286	-	59,004,286
Depreciation	-	-	-	-	-	8,074,486	8,074,486
	$ 105,826,108	$ 31,948,147	$ 23,144,028	$ 2,605,620	$ 59,004,286	$ 8,174,290	$ 230,702,479

REQUIRED SUPPLEMENTARY INFORMATION

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS

For the Year Ended June 30, 2013

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%
6/30/2013	July 1, 2012	$ 6,846,425	$ 23,802,089	$ 16,955,664	28.8%	$ 82,429,217	21%

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

STATE CENTER COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2013

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, 2013 were composed of the following members:

BOARD OF TRUSTEES

Members	Office	Term Expires
Isabel Barreras	President	2014
Richard M. Caglia	Vice President	2016
Ronald H. Nishinaka	Secretary	2014
John Leal	Member	2016
Patrick E. Patterson	Member	2016
Eric Payne	Member	2016
Dorothy Smith	Member	2014

DISTRICT ADMINISTRATION

Dr. Deborah G. Blue
Chancellor

Mr. Tony Cantu
President - Fresno City College

Dr. Michael White
Interim President - Reedley College

Ms. Deborah J. Ikeda
Campus President- Willow International Community College Center

Mr. Edwin Eng
Vice Chancellor - Finance and Administration

Ms. Diane Clerou
Associate Vice Chancellor - Human Resources

Dr. George Railey
Vice Chancellor - Educational Services and Institutional Effectiveness

See accompanying notes to supplementary information.

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2013

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	$ 1,007,207
Federal Work Study (FWS)	84.033	799,897
Federal Pell Grants (PELL)	84.063	50,184,248
Financial Aid Admin Allowance	84.063	224,016
Federal Direct Student Loans	84.268	2,711,475
Subtotal Financial Aid Cluster		54,926,843
TRIO Cluster:		
Student Support Services	84.042A	1,256,834
Upward Bound	84.047A	1,103,416
Upward Bound - Math and Science	84.047M	472,546
Subtotal TRIO Cluster		2,832,796
Higher Education Institutional Aid - Science, Technology, Engineering, Math Improvement Projects	84.031C	829,534
Higher Education Institutional Aid, Title V - COOP	84.031S	1,344,153
Subtotal Higher Education Institutional Aid		2,173,687
Minority Science Engineer Improvement Program	84.120A	187,056
Trade Assistance Through Business-Academic Linkages	84.153A	20,601
Passed through California Department of Rehabilitation:		
Rehabilitation Services - Workability	84.126A	181,531
Passed through California Community College Chancellor's Office:		
VATEA - Tech Prep	84.243	98,778
Career and Technical Education Cluster:		
Career and Technical Education, Title IB	84.048	307,873
Career and Technical Education, Title IC	84.048	1,371,651
Subtotal Career and Technical Education Cluster		1,679,524
Total U.S. Department of Education		62,100,816

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Labor		
WIA Cluster:		
Passed through Fresno Workforce Development Board:		
WIA Direct Training Contract	17.260	$ 114,824
WIA Dislocated Workers - PG&E Pathways Project	17.260	19,226
Subtotal WIA Cluster		134,050
Passed through Fresno Workforce Development Board:		
Welfare to Work Grants - Foster Bridge	17.253	115,296
Passed through West Hills Community College District:		
Trade Adjustment Assistance Community College and Career Training Program	17.282	1,596,425
Direct Program:		
Community Based Job Training - Health Care Training Grant	17.269	906,871
Total U.S. Department of Labor		2,752,642
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	93.575	130,813
Child Care and Development Block Grant - Training Consortium	93.575	24,686
Child Care and Development Block Grant - Early Child Mentor Program	93.575	3,028
Subtotal Child Care Development Fund Cluster		158,527

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2013

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	$ 221,422
Passed through Madera County Dept. of Social Services:		
TANF - Vocational Training	93.558	129,410
Passed through Tulare County Health & Human Services:		
TANF - Tulare CalWORKs Work Study Program	93.558	37,013
Passed through Fresno County Health & Human Services:		
TANF - CalWORKs Employment & Temporary Assistance	93.558	368,866
Subtotal TANF		756,711
Passed through Foundation for California Community Colleges:		
Chafee Foster Care Independence Program - Youth Empowerment Strategies for Success	93.674	20,821
Passed through Los Rios Community College District:		
Information Technology Professionals in Health Care	93.721	103,592
Direct Program:		
Head Start	93.600	326,314
Total U.S. Department of Health and Human Services		1,365,965
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	27,219
Child and Adult Care Food Program - Promoting Integrity NOW (PIN)	10.558	149,411
Subtotal Child and Adult Care Food Program		176,630
Child Nutrition Cluster:		
Child Nutrition - Mandatory Training	10.560	387,962
Child Nutrition - Healthy & Active Preschoolers	10.560	68,744
Subtotal Child Nutrition Cluster		456,706

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2013

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 Crop Trade Mission to China	10.170	$ 46,396
Specialty Crop Block Grant	10.170	17,462
Direct Programs:		
Rural Business Enterprise Grant- CA Agricultural Resource Center	10.769	42,403
CSREES- Partnership in Agriculture	10.223	43,200
Total U.S. Department of Agriculture		782,797
U.S. Agency for International Development		
Passed through Georgetown University:		
Development Partnerships for University Cooperation and Development - SEED	98.012	315,417
U.S. Department of Commerce Economic Development Administration		
Direct Program:		
Agriculture Export Program - Planning and Local Technical Assistance	11.303	2,673
Central California Rural Economic Development Project	11.307	94,245
Total U.S. Department of Commerce		96,918
U.S. Department of Housing and Urban Development		
Hispanic Serving Institutions Assisting Communities Program	14.514	226,045
U.S. National Science Foundation		
Passed through Foundation for California State University, Fresno:		
Trans-NSF Recovery Act Research Support - METRO	47.082	78,861
U.S. Department of Environmental Protection Agency		
State Trade and Export Promotion Pilot Grant Program (STEP)	59.061	395,140
U.S. Department of Veteran Affairs		
Veterans Information and Assistance - Reporting Fees	64.115	6,965
Total Federal Programs		$ 68,121,566

See accompanying notes to supplementary information.

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2013

	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	$ 517,355	$ 310,023	$ 827,378	$ 816,301	$ -	$ 530,564	$ 285,737	$ 285,737
BFAP	-	1,369,323	1,369,323	1,369,323	-	22,128	1,347,195	1,347,195
CARE	(261)	208,010	207,749	192,733	8,599	-	201,332	201,332
Cal Grants	-	3,597,712	3,597,712	3,752,862	-	155,150	3,597,712	3,597,712
CalWORKs	-	735,682	735,682	735,682	-	10,296	725,386	725,386
Career Advancement Academy Implementation Grant	-	309,500	309,500	195,462	113,504	-	308,966	308,966
CCC Student Mental Health Program	-	138,519	138,519	41,284	77,085	-	118,369	118,369
Community Collaborative Projects	459,625	348,000	807,625	685,825	-	361,702	324,123	324,123
CRY-ROP Teach Project	-	24,950	24,950	19,850	5,100	-	24,950	24,950
Disabled Students Services (DSPS)	-	1,556,444	1,556,444	1,556,444	-	-	1,556,444	1,556,444
Economic Opportunity Programs and Services (EOPS)	(345)	1,680,370	1,680,025	1,680,025	-	39,291	1,640,734	1,640,734
Enrollment Growth - Associate Degree Nursing Program	85,864	260,687	346,551	263,132	83,421	-	346,553	346,553
Equal Employment Opportunity Fund	-	11,253	11,253	11,253	-	-	11,253	11,253
Foster Care Education	-	162,410	162,410	121,808	28,892	-	150,700	150,700
IDRC - CITD	210,071	178,620	388,691	233,215	84,028	75,457	241,786	241,786
Matriculation	-	792,954	792,954	792,954	-	-	792,954	792,954
Middle College High School Grant	-	84,153	84,153	33,661	50,492	-	84,153	84,153
Noncredit Matriculation	-	10,267	10,267	10,267	-	4	10,263	10,263
Nursing Assessment and Remediation Grant	19,466	208,087	227,553	194,260	16,172	89,880	120,552	120,552
Peace Officer Standards and Training (POST)	-	508,167	508,167	36,795	292,195	-	328,990	328,990
Song Brown	-	100,000	100,000	73,640	26,360	-	100,000	100,000
Statewide Strategic Hubs	37,201	100,000	137,201	97,201	40,000	-	137,201	137,201
Supplemental Funding for Foster Care Classes	$ -	$ 10,000	$ 10,000	$ 3,659	$ 6,254	$ -	$ 9,913	$ 9,913
Workforce Innovation Partnership	338,642	-	338,642	273,736	-	145,938	127,798	127,798
Total State Programs	$ 1,667,618	$ 12,705,131	$ 14,372,749	$ 13,191,372	$ 832,102	$ 1,430,410	$ 12,593,064	$ 12,593,064

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, 2013

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2012 only)			
1. Noncredit	51	-	51
2. Credit	1,091	-	1,091
B. Summer Intersession (Summer 2013) - Prior to July 1, 2013)			
1. Noncredit	3	-	3
2. Credit	719	-	719
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	19,427	-	19,427
b. Daily Census Contact Hours	1,605	-	1,605
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	391	-	391
b. Credit	1,511	-	1,511
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	1,148	-	1,148
b. Daily Census Contact Hours	180	-	180
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
D. Total FTES	26,126	-	26,126
Supplemental Information:			
E. In-Service Training Courses (FTES)	336	-	336
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	774	-	774
b. Credit	1,743	-	1,743
CCFS 320 Addendum			
CDCP	-	-	-
Centers FTES			
a. Noncredit	196	-	196
b. Credit	6,472	-	6,472

See accompanying notes to supplementary information.

STATE CENTER COMMUNITY COLLEGE DISTRICT

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

For the Year Ended June 30, 2013

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

See accompanying notes to supplementary information.

STATE CENTER COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION

For the Year Ended June 30, 2013

	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	$ 36,741,865	$ -	$ 36,741,865	$ 36,741,865	$ -	$ 36,741,865
Other	1300	12,691,906	-	12,691,906	12,691,906	-	12,691,906
Total instructional salaries		49,433,771	-	49,433,771	49,433,771	-	49,433,771
Non-instructional salaries:							
Contract or regular	1200	-	-	-	12,452,243	-	12,452,243
Other	1400	-	-	-	2,041,112	-	2,041,112
Total non-instructional salaries		-	-	-	14,493,355	-	14,493,355
Total academic salaries		49,433,771	-	49,433,771	63,927,126	-	63,927,126
Classified Salaries							
Non-instructional salaries:							
Regular status	2100	-	-	-	21,072,722	-	21,072,722
Other	2300	-	-	-	1,485,016	-	1,485,016
Total non-instructional salaries		-	-	-	22,557,738	-	22,557,738
Instructional aides:							
Regular status	2200	1,704,837	-	1,704,837	1,704,837	-	1,704,837
Other	2400	645,372	-	645,372	645,372	-	645,372
Total instructional aides		2,350,209	-	2,350,209	2,350,209	-	2,350,209
Total classified salaries		2,350,209	-	2,350,209	24,907,947	-	24,907,947
Employee benefits	3000	13,015,796	-	13,015,796	26,587,621	-	26,587,621
Supplies and materials	4000	-	-	-	1,951,682	-	1,951,682
Other operating expenses	5000	91,149	-	91,149	11,165,687	-	11,165,687
Equipment replacement	6420	-	-	-	-	-	-
Total expenditures prior to exclusions		$ 64,890,925	$ -	$ 64,890,925	$128,540,063	$ -	$128,540,063

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, 2013

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
Exclusions	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	$ 769,087	$ -	$ 769,087	$ 769,087	$ -	$ 769,087
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	-	-	-
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	449,590	-	449,590
Objects to exclude:							
Rents and leases	5060	-	-	-	79,774	-	79,774
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	3,050	-	3,050
Classified salaries	2000	-	-	-	67,021	-	67,021
Employee benefits	3000	-	-	-	96,846	-	96,846
Supplies and materials:	4000						
Software	4100	-	-	-	9,221	-	9,221
Books, magazines and periodicals	4200	-	-	-	3,198	-	3,198
Instructional supplies and materials	4300	-	-	-	55,293	-	55,293
Noninstructional supplies and materials	4400	-	-	-	387,043	-	387,043
Total supplies and materials		-	-	-	454,755	-	-
Other operating expenses and services	5000	-	-	-	2,029,943	-	2,029,943
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Equipment:	6400						
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	-	-	-
Total capital outlay		-	-	-	-	-	-
Other outgo	7000	-	-	-	-	-	-
Total exclusions		$ 769,087	$ -	$ 769,087	$ 3,950,066	$ -	$ 3,950,066
Total for ECS 84362, 50% Law		$ 64,121,838	$ -	$ 64,121,838	$ 124,589,997	$ -	$ 124,589,997
Percent of CEE (instructional salary cost /Total CEE)		51.47%	-	51.47%	100%	-	100%
50% of current expense of education					$ 62,294,998	$ -	$ 62,294,998

See accompanying notes to supplementary information.

STATE CENTER COMMUNITY COLLEGE DISTRICT

PROP 30 EPA EXPENDITURE REPORT
For the Year Ended June 30, 2013

EPA Proceeds: $ 20,556,119

Activity Classification	Activity Code (0100-5900)	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities		$ 20,556,119	$ -	$ -	$ 20,556,119

See accompanying notes to supplementary information.

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.

F - Prop 30 EPA Expenditures Report

This schedule provides information about the District's EPA proceeds and summarizes how the EPA proceeds were spent.

Crowe Horwath.

Crowe Horwath LLP
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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
State Center Community College District
Fresno, California

Report on Compliance with State Laws and Regulations

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, 2013:

- 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 Health Fee Funds
- Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Disabled Student Programs and Services (DSPS)
- To Be Arranged Hours (TBA)
- Proposition 1D State Board Funded Projects
- Proposition 30 Education Protection Account Funds

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations.

Auditor's Responsibility

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 above 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.

Opinion with State Laws and Regulations

In our opinion, State Center Community College District complied, in all material respects with the aforementioned requirements for the year ended June 30, 2013. Further, based upon our examination, for items not tested, nothing came to our attention to indicate State Center Community College District had not complied with the state laws and regulations.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with Contracted District Audit Manual and which are described in the accompanying Schedule of Audit Findings and Questioned Costs as items 2013-02. Our opinion on State Laws and Regulations is not modified with respect to this matter.

State Center Community College District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. State Center Community College District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

This report is intended solely to describe the scope of our testing of compliance and the results of that testing based on requirements of the *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 18, 2013

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

Board of Trustees
State Center Community College District
Fresno, California

We have audited, in accordance with the 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, the financial statements of 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, 2013, and the related notes to the financial statements, which collectively comprise State Center Community College District's basic financial statements, and have issued our report thereon dated December 18, 2013. The financial statements of State Center Community College Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered State Center Community College District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. Accordingly, we do not express an opinion on the effectiveness of State Center Community College District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 18, 2013

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees
State Center Community College District
Fresno, California

Report on Compliance for Each Major Federal Program

We have audited State Center Community College District's compliance with the types of compliance requirements described in the *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, 2013. State Center Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of State Center Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above 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 on compliance for each major federal program. However, our audit does not provide a legal determination of State Center Community College District's compliance.

Opinion on Each Major Federal Program

In our opinion, State Center Community College District complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of State Center Community College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered State Center Community College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 18, 2013

FINDINGS AND RECOMMENDATIONS

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.268	Student Financial Aid Cluster
10.560	Child Nutrition Cluster
17.282	Trade Adjustment Assistance Community College and Career Training Program
84.042A, 84.047A, 84.047M	TRIO Cluster
59.061	State Trade and Export Promotion Pilot Grant Program (STEP)

Dollar threshold used to distinguish between Type A and Type B programs:	$ 395,842	
Auditee qualified as low-risk auditee?	__X__ Yes	______ No

STATE AWARDS

Type of auditor's report issued on compliance for state programs:	Unmodified

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2013

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2013-01 STATE COMPLIANCE - ATTENDANCE

Criteria

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

Condition

One Weekly Census course claimed for apportionment was incorrectly scheduled resulting in an understatement of required course break time and an overstatement of calculated FTES.

Effect

District overstated the CCFS-320 Annual by 0.23 FTES.

Cause

The weekly course was incorrectly schedule resulting required course break time being underscheduled.

Fiscal Impact

The effect of the finding is an overstatement of 0.23 FTES.

Recommendation

We recommend the District review future scheduling of course sections to ensure required break time is properly calculated for total class contact hours.

Corrective Action Plan

The District agrees with the finding and as part of the audit process determined this was an isolated incident. All future class sections have been reviewed to ensure breaks are properly scheduled.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2013

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
2012-01 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. The District should perform an inventory count of equipment every two years to comply with OMB Circular A-110.	Implemented.	
2012-02 District did not obtain up-to-date SEC contracts for all students served by DSPS. The District should develop and implement procedures to ensure compliance with DSPS recordkeeping requirements.	Implemented.	
2012-03 District did not maintain CalWORKs/TANF eligibility verification in one selected student's CARE file. The District should develop procedures to ensure compliance with CARE recordkeeping requirements.	Implemented.	
2012-04 District failed to have any advisory committee meetings for EOPS or CARE during the academic year. The District should implement procedures to schedule advisory committee meetings during the academic year for the EOPS and CARE programs.	Implemented.	

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2013

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
2012-05 District incorrectly claimed a daily course type as a weekly census course. The District should implement additional review procedures to ensure all courses are classified by attendance type and in accordance with compliance requirements.	Partially Implemented.	See current year finding #2013-01.
2012-06 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. 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.	Implemented.	