# STATE CENTER COMMUNITY COLLEGE DISTRICT
Fresno, California

# FINANCIAL STATEMENTS
June 30, 2014

**STATE CENTER COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENTS**
**WITH SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2014**

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**STATE CENTER COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENTS**
**WITH SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2014**

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Crowe Horwath LLP
Independent Member Crowe Horwath International

# 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 and the fiduciary activities of State Center Community College District, as of and for the year ended June 30, 2014, 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 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.

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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of State Center Community College District, as of June 30, 2014, and the respective changes in its 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 9 and Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*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 basic financial statements. The accompanying schedule of expenditure 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 basic financial statements.

The schedule of expenditure 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 basic financial statements. The schedule of expenditure 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 expenditure 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 basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014 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 19, 2014

**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**JUNE 30, 2014**

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

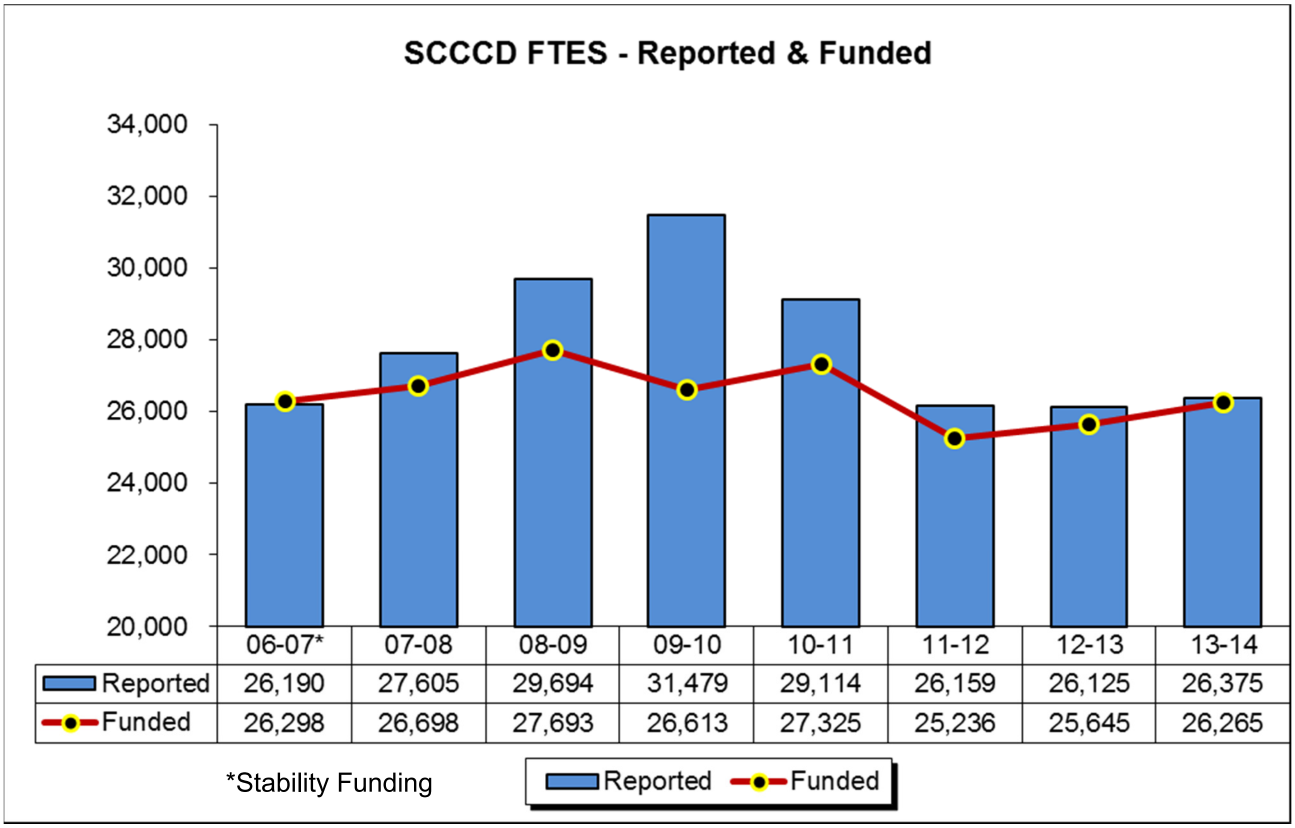
As required by the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments," and GASB Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges 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

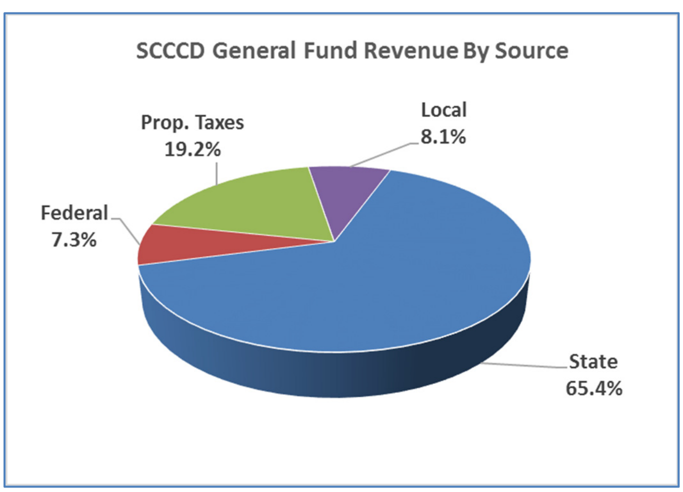
The district's primary funding source is based upon apportionment revenue received from the state. The key component of apportionment is the calculation of Full-Time Equivalent Students (FTES). Based on the CCFS-320 RECALC report, SCCCD reported 26,375 resident FTES for the 2013-14 fiscal year. In 2013-14, the community college system received restored access funding of $86 million or approximately a 1.63% increase in funded FTES from the prior year. State Center was funded an increase of 621 FTES over the prior year, a 2.42% increase, representing nearly $3 million in restored funding, due to our ability to serve more students. Additionally, the community college system received approximately $84 million or approximately a 1.57% increase for a cost of living adjustment (COLA) for 2013-14. Due to the limited funding from the state, California community colleges must continue to be strategic in curriculum offerings, while continuing to focus on the three core instructional areas of basic skills, transfer, and career technical education, in combination with the student success and equity initiatives.

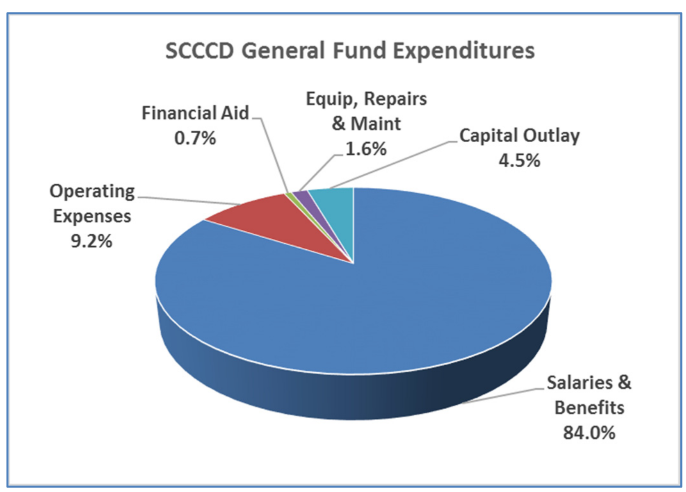
Even though the district reported 26,375 FTES in 2013-14, the district anticipates only being paid for 26,265 FTES due to lack of state funds to pay districts for all reported FTES. Further complicating this issue, the district is anticipating an estimated state deficit of $1.3 million (or approximately 1%). In total for 2013-14, the district anticipated being underpaid by approximately $1.8 million in apportionment funding ($0.5 million in unfunded FTES and $1.3 million in deficit) based on the second principal apportionment (P-2) and the Annual CCFS-320 report. The graph following demonstrates the historical differences between reported and funded FTES for the district.




| | 06-07* | 07-08 | 08-09 | 09-10 | 10-11 | 11-12 | 12-13 | 13-14 |
|---|---|---|---|---|---|---|---|---|
| Reported | 26,190 | 27,605 | 29,694 | 31,479 | 29,114 | 26,159 | 26,125 | 26,375 |
| Funded | 26,298 | 26,698 | 27,693 | 26,613 | 27,325 | 25,236 | 25,645 | 26,265 |

With the November 2012, passage of Proposition 30, the 2013-14 inter-year apportionment deferral to the community college system declined by an additional $30 million, reducing it to $592 million, down from a high of $961.0 million. Additionally, the two intra-year deferrals totaling $300 million remained in effect for the 2013-14 fiscal 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 repaid in January. The state has used deferred payments to the community college system to help balance their cash-flow problems; however, the Governor has made significant strides in reducing down the state's inter-year borrowing. The district's share of this system-wide inter-year deferral was approximately $16.9 million and is included in the district's accounts receivable balance at year end. The district relies heavily on state apportionment, property taxes, federal grants, and state categorical programs to 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) 2014 | 2013 |
|---|---|---|
| **ASSETS:** | | |
| **CURRENT ASSETS** | | |
| Cash, Investments, and Short-Term Receivables | $ 73,564 | $ 71,581 |
| Inventory and Prepaid Expenditures | 2,237 | 2,040 |
| **TOTAL CURRENT ASSETS** | $ 75,801 | $ 73,621 |
| **NON-CURRENT ASSETS** | | |
| Restricted Cash | $ 17,964 | $ 18,901 |
| Net Plan Assets - OPEB | 59 | - |
| Capital Assets, Net of Depreciation | 288,338 | 290,538 |
| **TOTAL NON-CURRENT ASSETS** | $ 306,361 | $ 309,439 |
| **TOTAL ASSETS** | $ 382,162 | $ 383,060 |
| **DEFERRED OUTFLOW OF RESOURCES:** | | |
| Deferred Amount on Debt Refunding | $ 613 | $ 1,209 |
| **TOTAL ASSETS & DEFERRED OUTFLOW** | $ 382,775 | $ 384,269 |
| **LIABILITIES:** | | |
| **CURRENT LIABILITIES** | | |
| Accounts Payable and Accrued Liabilities | $ 17,403 | $ 12,437 |
| Unearned Revenue | 7,480 | 7,683 |
| Amount Held in Trust on Behalf of Others | 560 | 565 |
| Compensated Absences Payable | 3,625 | 3,546 |
| Long Term Liabilities | 2,660 | 2,467 |
| **TOTAL CURRENT LIABILITIES** | $ 31,728 | $ 26,698 |
| **NON-CURRENT LIABILITIES** | | |
| Long-Term Liabilities | $ 104,183 | $ 110,253 |
| **TOTAL LIABILITIES** | $ 135,911 | $ 136,951 |
| **NET POSITION:** | | |
| Net Investment in Capital Assets | $ 185,198 | $ 186,936 |
| Restricted for Expendable Purposes | 24,997 | 27,588 |
| Unrestricted | 36,669 | 32,794 |
| **TOTAL NET POSITION** | $ 246,864 | $ 247,318 |
| **TOTAL LIABILITIES & NET POSITION** | $ 382,775 | $ 384,269 |

This schedule has been prepared from the district's Statement of Net Position. 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. Highlights of the major changes include a decrease in the short-term receivable of $4.9 million primarily related to the reduced state apportionment deferral, which was partially offset by an increase in the property tax receivable. Restricted cash for the Measure E bond's debt service and capital projects funds decreased by $2.7 million due to debt payments and construction projects being completed. Capital assets, net of depreciation, decreased by $2.2 million. Lastly, overall long-term liabilities decreased $5.8 million primarily as a result of the sizable decreases in the bond principal balances, the OPEB obligation, and the long-term disability liabilities.

**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) | |
|---|---|---|
| | **2014** | **2013** |
| **OPERATING REVENUES** | | |
| Tuition & Fees | $ 10,752 | $ 11,118 |
| Grants & Contracts, Non-Capital | 34,281 | 32,426 |
| Auxillary Enterprises & Other Operating Revenues | 5,537 | 4,326 |
| **TOTAL OPERATING REVENUES** | $ 50,570 | $ 47,870 |
| **OPERATING EXPENDITURES** | | |
| Salaries and Benefits | $ 144,425 | $ 137,774 |
| Supplies, Maintenance & Other Operating Expenses | 24,477 | 25,750 |
| Financial Aid | 61,844 | 59,004 |
| Depreciation | 8,740 | 8,174 |
| **TOTAL OPERATING EXPENDITURES** | $ 239,486 | $ 230,702 |
| **OPERATING (LOSS)** | $ (188,916) | $ (182,832) |
| **NON-OPERATING REVENUES (EXPENSES)** | | |
| State Apportionment | $ 94,404 | $ 89,581 |
| Property Taxes | 39,935 | 36,542 |
| State Revenues | 4,779 | 4,397 |
| Pell Grant | 52,898 | 50,184 |
| Net Interest Income / (Expense) | (4,778) | (5,043) |
| Other Non-Operating Revenue | (25) | 271 |
| **TOTAL NON-OPERATING REVENUES (EXPENSES)** | $ 187,213 | $ 175,932 |
| **(LOSS) / INCOME BEFORE OTHER REV AND EXP** | $ (1,703) | $ (6,900) |
| **CAPITAL REVENUE** | | |
| Federal, State and Local Capital Income | $ 1,249 | $ 1,672 |
| **(DECREASE) / INCREASE IN NET POSITION** | $ (454) | $ (5,228) |
| **NET POSITION, BEGINNING** | $ 247,318 | $ 252,546 |
| **NET POSITION, ENDING** | $ 246,864 | $ 247,318 |

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.

Highlights of the significant changes include an increase in non-capital grants and contracts revenue by $1.6 million. Salary and benefits expenditures increased by $6.6 million primarily due to the negotiated effects of a 2% COLA increase, along with a 2% off-schedule bonus payment. State apportionment funding increased $4.8 million as a result of a state COLA, restored access funding, and a prior year revenue adjustment related to an estimated funding deficit from 2012-13. Property taxes received grew by $3.4 million due to improving assessed valuations and prior year taxes. Financial aid related expenditures increased by $2.7 million as a result of receiving more Pell grant funding. Additionally, the district received nearly $1.0 million in state Proposition 39 funding for energy efficiency projects. The Statement of Revenues, Expenses and Change in Net Position saw an overall decrease in net position of approximately $0.5 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) | |
|---|---|---|
| | **2014** | **2013** |
| Cash provided by (used in) | | |
| Operating activities | $ (178,905) | $ (175,749) |
| Non-capital financing activities | 196,626 | 182,303 |
| Capital financing activities | (12,462) | (11,008) |
| Investing activities | 694 | 494 |
| Net increase/(decrease) in cash | $ 5,953 | $ (3,960) |
| Cash, Beginning of Year | $ 50,692 | $ 54,652 |
| Cash, End of Year | $ 56,645 | $ 50,692 |

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 continue to be 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 continue on the path of 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 funding reductions 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. One mitigating factor of future reductions in state apportionment funding is the recent passage of Proposition 2-the State Rainy Day Fund. The California voters approved Governor Brown's proposal to set aside funds in economic good times to be available during economic down times.

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 2013-14, both retirement systems saw strong investment earnings ranging from 18.4% for CalPERS to 18.66% for CalSTRS; both well 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 has been adjusting their employer contribution rates over the years and has recently approved a seven year rate increase plan to address the programs unfunded liabilities. For 2014-15, the employer's contribution rate rises to 11.771%, a modest increase of 0.329%. However, the increases in rates for the following six years ending in 2020-21 are 12.6%; 15.0%; 16.6%; 18.2%; 19.9% and 20.4%.The CalSTRS system cannot unilaterally increase employer and employee contribution rates as any rate change requires legislative action. In June 2014, the Governor signed Assembly Bill 1469 which addresses approximately a $74 billion funding gap for the CalSTRS retirement system. This bill authorizes increases in contribution rates for employers, employees and the State in fiscal years 2014-15 to 2020-21. The STRS employer contribution rate for 2014-15 of 8.88% (up from 8.25% in 2013-14) reflects the first of a series of annual increases to address the system's unfunded liabilities. CalSTRS employer's rates for the succeeding six years are: 10.73%; 12.58%; 14.43%; 16.28%; 18.13%; and 19.10%. These increases in rates represent substantial increases to future budgets for the district with no current proposal from the state on how or if they will provide additional funding to support these increases.

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 is still 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 managed 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 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 2014, State Center employees have the option of choosing from six different health care plans from the three medical providers. All plans require employees to pay a portion of their health care premium, ranging from $17 to $753 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.  In the recent election, the Governor's Proposition 2 (the Rainy Day Fund) was passed.  As mentioned previously, this proposition sets aside funds in economic good times so when economic hard times hit there are funds reserved available to augment current shortfalls.  The full impact of this Proposition is yet to be seen.  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 managed through the difficult times in the past and, as always, prudent fiscal management practices will remain in place to ensure the district strategically manages its financial resources.

**STATE CENTER COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF NET POSITION**

**June 30, 2014**

| | |
|---|---|
| **ASSETS** | |
| Current assets: | |
| Cash and cash equivalents | $ 38,681,558 |
| Investments | 1,080 |
| Receivables, net | 34,882,063 |
| Prepaid expenses | 254,021 |
| Stores inventories | 1,982,821 |
| Total current assets | 75,801,543 |
| Noncurrent assets: | |
| Restricted cash and cash equivalents | 17,963,599 |
| OPEB asset | 59,458 |
| Depreciable capital assets, net | 253,770,971 |
| Non-depreciable capital assets | 34,566,579 |
| Total noncurrent assets | 306,360,607 |
| Total assets | 382,162,150 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred loss from refunding of debt | 612,806 |
| Total assets and deferred outflows | $ 382,774,956 |
| **LIABILITIES** | |
| Current liabilities: | |
| Accounts payable | $ 17,403,410 |
| Unearned revenue | 7,480,434 |
| Due to fiduciary funds | 559,492 |
| Compensated absences payable | 3,624,780 |
| Long-term liabilities - current portion | 2,660,040 |
| Total current liabilities | 31,728,156 |
| Noncurrent liabilities: | |
| Long-term liabilities - noncurrent portion | 104,183,171 |
| Total liabilities | 135,911,327 |
| **NET POSITION** | |
| Net investment in capital assets | 185,197,366 |
| Restricted for: | |
| Capital projects and debt service | 16,797,118 |
| Educational programs | 1,369,810 |
| Self insurance | 6,491,144 |
| Other activities | 339,065 |
| Unrestricted | 36,669,126 |
| Total net position | 246,863,629 |
| Total liabilities and net position | $ 382,774,956 |

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, 2014**

| | |
|---|---|
| Operating revenues: | |
| Tuition and fees | $ 35,539,880 |
| Less: scholarship discounts and allowances | (24,787,820) |
| Net tuition and fees | 10,752,060 |
| Grants and contracts, non-capital: | |
| Federal | 15,770,524 |
| State | 17,072,062 |
| Local | 1,438,290 |
| Auxiliary enterprise sales and charges: | |
| Bookstore | 2,239,850 |
| Cafeteria | 719,298 |
| Other operating local revenues | 2,577,725 |
| Total operating revenues | 50,569,809 |
| Operating expenses: | |
| Salaries | 112,354,782 |
| Employee benefits | 32,070,022 |
| Supplies, materials, and other operating expenses and services | 21,641,019 |
| Equipment, maintenance and repairs | 2,836,444 |
| Student aid | 61,843,785 |
| Depreciation | 8,740,067 |
| Total operating expenses | 239,486,119 |
| Loss from operations | (188,916,310) |
| Non-operating revenues (expenses): | |
| State apportionment, non-capital | 94,404,226 |
| Local property taxes | 39,935,297 |
| State taxes and other revenues | 4,779,335 |
| Pell grants | 52,897,794 |
| Investment income, net | 699,775 |
| Interest expense on capital asset-related debt, net | (5,477,918) |
| Loss on disposal of capital assets | (24,719) |
| Total non-operating revenues (expenses) | 187,213,790 |
| Loss before capital revenues | (1,702,520) |
| Capital revenues: | |
| State property taxes and revenues | 922,748 |
| Local property taxes and revenues | 325,881 |
| Total capital revenues | 1,248,629 |
| Change in net position | (453,891) |
| Net position, July 1, 2013 | 247,317,520 |
| Net position, June 30, 2014 | $ 246,863,629 |

See accompanying notes to financial statements.

**STATE CENTER COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS**

**For the Year Ended June 30, 2014**

| | |
|---|---|
| Cash flows from operating activities: | |
| Tuition and fees | $ 9,950,457 |
| Grants and contracts | 35,068,858 |
| Payments of scholarships and grants | (61,843,785) |
| Payments to suppliers and vendors | (19,872,642) |
| Payments to and on behalf of employees | (148,010,572) |
| Auxiliary enterprises sales and charges | 5,801,973 |
| Net cash used in operating activities | (178,905,711) |
| Cash flows from noncapital financing activities: | |
| State appropriations | 107,719,446 |
| Local property taxes | 39,935,297 |
| State taxes and other revenues | 4,966,448 |
| Pell grants | 52,897,794 |
| Other non-operating expenses | (8,892,483) |
| Net cash provided by noncapital financing activities | 196,626,502 |
| Cash flows from capital and related financing activities: | |
| State apportionments for capital purposes | 967,471 |
| Capital grants received | 325,881 |
| Purchase of capital assets | (6,564,055) |
| Principal paid on capital debt and leases | (2,125,000) |
| Interest paid on capital debt, and leases, net | (5,066,184) |
| Net cash used in capital and related financing activities | (12,461,887) |
| Cash flows from investing activities: | |
| Investment income | 692,196 |
| Proceeds from investment maturities | 1,851 |
| Net cash provided by investing activities | 694,047 |
| Change in cash and cash equivalents | 5,952,951 |
| Cash and cash equivalents, July 1, 2013 | 50,692,206 |
| Cash and cash equivalents, June 30, 2014 | $ 56,645,157 |

(Continued)

## STATE CENTER COMMUNITY COLLEGE DISTRICT

### STATEMENT OF CASH FLOWS
(Continued)
**For the Year Ended June 30, 2014**

| | |
|---|---|
| Reconciliation of loss from operations to net cash used in operating activities: | |
| Loss from operations | $ (188,916,310) |
| Adjustments to reconcile loss from operations to net cash used in operating activities: | |
| Depreciation expense | 8,740,067 |
| Changes in assets and liabilities: | |
| Receivables, net | 251,479 |
| Prepaid expenses | 23,866 |
| Inventories | (221,111) |
| Accounts payable and accrued liabilities | 5,004,783 |
| Unearned revenue | (202,717) |
| Other postemployment benefits and compensated absences | (3,585,768) |
| Net cash used in operating activities | $ (178,905,711) |

Supplemental disclosure of non-cash transactions:

| | |
|---|---|
| Amortization of premiums debt | $ 146,257 |
| Amortization of deferred loss on refunding | $ 596,262 |

See accompanying notes to financial statements.

**STATE CENTER COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION**

**June 30, 2014**

| | Student Trust Funds | OPEB Irrevocable Trust Fund | Student Agency Funds |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 73,587 | $ 83,756 | $ 643,879 |
| Investments: | | | |
| Mutual funds - equities | - | 6,862,534 | - |
| Mutual funds - fixed income | - | 5,099,984 | - |
| Receivables, net | 4,289 | - | 392 |
| Due from other funds | 222,183 | - | 337,309 |
| Total assets | $ 300,059 | $ 12,046,274 | $ 981,580 |
| **LIABILITIES** | | | |
| Accounts payable | $ 39 | $ - | $ 56,583 |
| Unearned revenue | 7,281 | - | - |
| Due to student groups | - | - | 924,997 |
| Total liabilities | 7,320 | - | 981,580 |
| **NET POSITION** | | | |
| Total net position held in trust | 292,739 | 12,046,274 | - |
| Total liabilities and net position | $ 300,059 | $ 12,046,274 | $ 981,580 |

See accompanying notes to financial statements.

## STATE CENTER COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CHANGE IN FIDUCIARY NET POSITION

**For the Year Ended June 30, 2014**

| | Student Trust Funds | OPEB Irrevocable Trust Fund |
|---|---|---|
| Additions: | | |
| Investment income: | | |
| Unrealized and realized gains, net | $ - | $ 849,642 |
| Dividends and interest | 27 | 187,641 |
| Investment expenses | - | (67,827) |
| Total investment income | 27 | 969,456 |
| Employer contributions | - | 4,100,000 |
| Student fees | 15,825 | - |
| Other operating revenue | 63,156 | - |
| Other non-operating revenue | 161,001 | - |
| Total additions | 240,009 | 5,069,456 |
| Deductions: | | |
| Supplies, materials and other operating costs | 89,219 | - |
| Equipment, maintenance and repairs | 2,706 | - |
| Student aid | 154,689 | - |
| Total deductions | 246,614 | - |
| Net (decrease) increase | (6,605) | 5,069,456 |
| Net position held in trust: | | |
| Net position, July 1, 2013 | 299,344 | 6,976,818 |
| Net position, June 30, 2014 | $ 292,739 | $ 12,046,274 |

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 has no component units.

### 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.

Fiduciary funds for which the District acts only as an agent are not included in the business-type activities of the District. These funds are reported in the Statement of Fiduciary Net Position and the Statement of Change in Fiduciary Net Position at the fund financial statement level.

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.*

### 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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 $3,517,606 for the year ended June 30, 2014.

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 $5,000 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 cost and interest capitalized totaled $5,477,918 and $80,440, respectively, for the year ended June 30, 2014.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Compensated Absences

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

### Accumulated Sick Leave

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

### 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.

### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District only has one item that qualifies for reporting in this category, which is the deferred loss on refunding reported in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. At June 30, 2014, the unamortized balance of deferred loss on refunding for the refunding of debt during April 2012 was $612,806.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District does not have any item of this type.

### Net Position

The District's net position is classified as follows:

*Net investment 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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

*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. At June 30, 2014, there is no balance of nonexpendable restricted net position.

*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.

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.

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 approximately $3,417,000 (3.041% of salaries subject to CalSTRS).

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and loss on disposal of capital assets.

*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 and the loss on disposal of capital assets is the only nonoperating expense.

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 Position. 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.

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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

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. 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. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

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. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

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 fiscal period ending June 30, 2015. Management expects this GASB statement to have a material impact on its financial statements.

In April 2013, the GASB issued Statement 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on guarantee. This liability should be reported until legally released as an obligor. When released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units by specifying the information required to be disclosed by governments that extend nonexchange financial guarantee financial guarantees. This statement was adopted for the District's fiscal year ended June 30, 2014 with no material impact on the District.

In November 2013, GASB issued Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pensions liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources deferred inflows of resources related to pensions be reported at transition only if it is practical to determine such amounts. The provisions of this Statement are required to be applied simultaneously with the provision of Statement No. 68 and are effective for the District's fiscal period ending June 30, 2015. Management expects that this GASB statement along with GASB Statement No. 68 will have a material impact on its financial statements.

## 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 2014, consisted of the following:

| | District | Fiduciary |
|---|---|---|
| Pooled Funds: | | |
| Cash in County Treasury | $ 31,444,335 | $ 203,307 |
| Deposits: | | |
| Cash on hand and in banks | 7,237,223 | 597,915 |
| Cash held by Fiscal Agent | 17,963,599 | - |
| Total cash and cash equivalents | 56,645,157 | 801,222 |
| Less: restricted cash and cash equivalents | | |
| Cash held by Fiscal Agent | 17,963,599 | - |
| Total restricted cash and cash equivalents | 17,963,599 | - |
| Net cash and cash equivalents | $ 38,681,558 | $ 801,222 |

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, 2014.

District investments at June 30, 2014 consisted of the following:

| | |
|---|---|
| Mutual funds | $ 1,080 |

Investments held within the OPEB trust fund at June 30, 2014 consisted of the following:

| | |
|---|---|
| Mutual funds - equities | $ 6,862,534 |
| Mutual funds - fixed income | 5,099,984 |
| Total investments | $ 11,962,518 |

## 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash with Fiscal Agent

Cash with Fiscal Agent of $17,963,599 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, 2014, the carrying amount of the District's accounts was $7,835,138, and the bank balances were $10,388,757, of which $9,828,752 was uninsured but collateralized.

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's investment policies do not limit cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2014, the District had no significant interest rate risk related to cash and investments held.

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2014, the District had no concentration of credit risk.

## 3. RECEIVABLES

Receivables

Receivables at June 30, 2014 are summarized as follows:

| | District | Fiduciary |
|---|---|---|
| Federal | $ 3,520,783 | $ - |
| State | 20,200,250 | - |
| Local and other | 14,678,636 | 13,276 |
| | 38,399,669 | 13,276 |
| Less allowance for doubtful accounts | (3,517,606) | (8,595) |
| | $ 34,882,063 | $ 4,681 |

## 4. CAPITAL ASSETS

Capital asset activity consists of the following:

| | Balance July 1, 2013 | Additions and Transfers | Deductions and Transfers | Balance June 30, 2014 |
|---|---|---|---|---|
| Non-depreciable: | | | | |
| Land | $ 31,646,516 | $ - | $ - | $ 31,646,516 |
| Construction in progress | 2,658,931 | 4,720,697 | (4,459,565) | 2,920,063 |
| Depreciable: | | | | |
| Land improvements | 24,930,507 | 1,469,836 | - | 26,400,343 |
| Buildings and improvements | 296,648,414 | 1,901,261 | - | 298,549,675 |
| Furniture and equipment | 15,107,070 | 2,650,474 | (845,822) | 16,911,722 |
| Vehicles | 2,256,438 | 281,352 | (106,000) | 2,431,790 |
| Total | 373,247,876 | 11,023,620 | (5,411,387) | 378,860,109 |
| Less accumulated depreciation: | | | | |
| Land improvements | 4,873,735 | 1,123,320 | - | 5,997,055 |
| Buildings and improvements | 66,431,534 | 6,364,447 | - | 72,795,981 |
| Furniture and equipment | 9,405,520 | 1,162,905 | (821,103) | 9,747,322 |
| Vehicles | 1,998,806 | 89,395 | (106,000) | 1,982,201 |
| Total | 82,709,595 | 8,740,067 | (927,103) | 90,522,559 |
| Capital assets, net | $ 290,538,281 | $ 2,283,553 | $ (4,484,284) | $ 288,337,550 |

## 5. UNEARNED REVENUE

Unearned revenue at June 30, 2014 consisted of the following:

| | District | Fiduciary |
|---|---|---|
| Unearned Federal and State revenue | $ 1,957,577 | $ - |
| Unearned tuition and student fees | 5,030,614 | - |
| Unearned local grant revenue and other | 492,243 | 7,281 |
| Total unearned revenue | $ 7,480,434 | $ 7,281 |

## 6. LONG-TERM LIABILITIES

General Obligation Bonds

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. At June 30, 2014, $11,460,000 of Series 2004A bonds outstanding are considered defeased. The remaining bonds mature through August 1, 2014, with interest yields ranging from 3.00 to 5.25 percent. At June 30, 2014, the principal outstanding was $650,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2004A outstanding as of June 30, 2014, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2015 | $ 650,000 | $ 13,552 | $ 663,552 |

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, 2014, the principal outstanding was $61,960,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2007A outstanding as of June 30, 2014, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 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 | 1,530,000 | 2,845,763 | 4,375,763 |
| 2020-2024 | 11,590,000 | 12,761,750 | 24,351,750 |
| 2025-2029 | 21,140,000 | 8,819,000 | 29,959,000 |
| 2030-2032 | 23,535,000 | 1,803,375 | 25,338,375 |
| | $ 61,960,000 | $ 38,118,263 | $ 100,078,263 |

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, 2014, the principal outstanding was $6,025,000.

## 6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2009A outstanding as of June 30, 2014, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 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 | 415,000 | 229,294 | 644,294 |
| 2020-2024 | 2,795,000 | 781,094 | 3,576,094 |
| 2025-2026 | 1,515,000 | 81,243 | 1,596,243 |
| | $ 6,025,000 | $ 2,183,808 | $ 8,208,808 |

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, 2014, 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, 2014, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2015 | $ - | $ 800,000 | $ 800,000 |
| 2016 | - | 800,000 | 800,000 |
| 2017 | - | 800,000 | 800,000 |
| 2018 | - | 800,000 | 800,000 |
| 2019 | - | 800,000 | 800,000 |
| 2020-2024 | - | 4,000,000 | 4,000,000 |
| 2025-2029 | 3,085,000 | 3,642,200 | 6,727,200 |
| 2030-2034 | 6,915,000 | 1,462,200 | 8,377,200 |
| | $ 10,000,000 | $ 13,104,400 | $ 23,104,400 |

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

General Obligation Bonds (Continued)

During March 2012, the District issued 2012 General Obligation Refunding Bonds in the amount of $23,880,000. 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, 2014, the principal outstanding was $23,610,000 and unamortized premium was $3,346,632. Premiums are amortized over the life of the bonds as a component of interest expense on the bonds.

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 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 | 1,440,000 | 896,925 | 2,336,925 |
| 2020-2024 | 8,170,000 | 3,455,563 | 11,625,563 |
| 2025-2029 | 9,355,000 | 1,161,913 | 10,516,913 |
| | $ 23,610,000 | $ 9,600,176 | $ 33,210,176 |

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, 2014, 13 employees were eligible to receive payments under the program and the liability totaled $1,251,579.

## 6. LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2014 is as follows:

| | Balance July 1, 2013 | Additions | Deductions | Balance June 30, 2014 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| General Obligation Bonds | $ 104,370,000 | $ - | $ 2,125,000 | $ 102,245,000 | $ 2,335,000 |
| Premium on General Obligation Bonds | 3,492,889 | - | 146,257 | 3,346,632 | 153,739 |
| Other postemployment benefits (Note 9) | 3,230,494 | 2,029,665 | 5,319,617 | (59,458) | - |
| Long-Term Disability Liability | 1,626,249 | 71,282 | 445,952 | 1,251,579 | 171,301 |
| Compensated absences | 3,545,926 | 78,854 | - | 3,624,780 | 3,624,780 |
| | $ 116,265,558 | $ 2,179,801 | $ 8,036,826 | $ 110,408,533 | $ 6,284,820 |

## 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.

## 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

State Teachers' Retirement System (STRS) (Continued)

The State Teachers' Retirement Plan (STRP), a multiple employer cost-sharing 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.

Funding Policy

Active members of the DB Plan are required to contribute 8% 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 2013-2014 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, 2014, 2013 and 2012 were $5,476,154, $5,295,619 and $5,305,172, respectively, and equals 100% of the required contributions for each year. On June 24, 2014, the Governor of California signed Assembly Bill 1469 which will increase the employer contribution to 19.1% over the next seven years.

## 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary and the district is required to contribute an actuarially determined rate. The required employer contribution rate for fiscal year 2013-2014 was 11.442% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013 and 2012 were $3,697,846, $3,554,880 and $3,498,303, 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)

Effective July 1, 2013, newly hired employees are provided a similar post-employment benefit with some reduced benefits. The reduced benefits limit the maximum age benefits are provided to 70, no longer is a lifetime benefit offered. The District contribution amount is not increased on an annual basis. Lastly, surviving spouse benefits are no longer available.

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 | 80,762 |
| Adjustment to annual required contribution | (102,555) |
| Annual OPEB cost | 2,029,665 |
| Contributions made | (5,319,617) |
| Decrease in net OPEB obligation | (3,289,952) |
| Net OPEB liability - beginning of year | 3,230,494 |
| Net OPEB asset - end of year | $ (59,458) |

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, 2014 and preceding two years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation (Asset) |
|---|---|---|---|
| June 30, 2012 | $ 2,037,192 | 53.5% | $ 2,409,826 |
| June 30, 2013 | $ 2,018,964 | 59.4% | $ 3,230,494 |
| June 30, 2014 | $ 2,029,665 | 262.1% | $ (59,458) |

## 9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

As of July 1, 2012, the most recent actuarial valuation date, the plan was partially funded. 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. As of the last actuarial, 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 21 percent. The OPEB plan is currently operated as a pay-as-you-go plan. The District makes discretionary, periodic contributions to the plan through an irrevocable trust. The OPEB trust is included in the District's financial report and separately presented as a fiduciary fund.

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 utilizing the level dollar method on an closed basis. The remaining amortization period at June 30, 2014, was 23 years.

## 10. 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 result 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, 2014, the District has approximately $1.25 million in outstanding commitments on construction contracts.

## 11. 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). Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. 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.

## 11. 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, 2013 | FASBO Sept. 30, 2013 |
|---|---|---|
| Total assets | $ 21,840,935 | $ 7,690,707 |
| Total liabilities | $ 7,149,731 | $ 3,513,310 |
| Net position | $ 14,691,204 | $ 4,177,397 |
| Total revenues | $ 4,925,977 | $ 20,352,212 |
| Total expenses | $ 2,544,275 | $ 20,081,211 |
| Change in net position | $ 2,381,702 | $ 271,001 |

## 12. 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, 2014.

| Functional Classifications | Salaries | Employee Benefits | Supplies, Materials, and Other Operating Expenses and Services | Equipment Maintenance and Repairs | Financial Aid | Depreciation | Total |
|---|---|---|---|---|---|---|---|
| Instruction | $ 55,412,779 | $ 11,897,738 | $ 2,437,890 | $ 101,103 | $ - | $ - | $ 69,849,510 |
| Academic Support | 16,535,141 | 3,986,469 | 3,036,723 | 1,529,360 | - | - | 25,087,693 |
| Student Services | 19,617,884 | 5,011,833 | 2,440,508 | 96,331 | - | - | 27,166,556 |
| Operations and Maintenance of Plant | 4,685,436 | 1,939,156 | 5,667,430 | 193,511 | - | - | 12,485,533 |
| Institution Support | 11,661,746 | 7,830,369 | 4,297,541 | 856,593 | - | - | 24,646,249 |
| Community Support | 828,688 | 253,766 | 745,801 | 10,235 | - | - | 1,838,490 |
| Ancillary Services | 3,613,108 | 1,150,691 | 3,015,126 | 49,311 | - | 99,804 | 7,928,040 |
| Student Aid | - | - | - | - | 61,843,785 | - | 61,843,785 |
| Depreciation | - | - | - | - | - | 8,640,263 | 8,640,263 |
| | $ 112,354,782 | $ 32,070,022 | $ 21,641,019 | $ 2,836,444 | $ 61,843,785 | $ 8,740,067 | $ 239,486,119 |

# REQUIRED SUPPLEMENTARY INFORMATION

**STATE CENTER COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS**

**For the Year Ended June 30, 2014**

**Schedule of Funding Progress**

| 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 |
|---|---|---|---|---|---|---|
| July 2, 2007 | $ 5,629,227 | $ 31,908,838 | $ 26,279,611 | 17.6% | $ 80,961,508 | 32% |
| July 1, 2008 | $ 5,579,224 | $ 31,882,317 | $ 26,303,093 | 17.5% | $ 83,646,615 | 31% |
| July 1, 2010 | $ 6,051,686 | $ 22,482,531 | $ 16,430,845 | 26.9% | $ 83,936,757 | 20% |
| July 1, 2012 | $ 6,846,425 | $ 23,802,089 | $ 16,955,664 | 28.8% | $ 82,429,217 | 21% |

See independent auditor's report on Required Supplementary Information.

STATE CENTER COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

## 1. PURPOSE OF SCHEDULE

A - Schedule of Other Postemployment Benefits Funding Progress

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

# SUPPLEMENTARY INFORMATION

**STATE CENTER COMMUNITY COLLEGE DISTRICT**

**ORGANIZATION**

**June 30, 2014**

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, Clovis Community College Center, Madera Center and Career Technology 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, 2014 were composed of the following members:

**BOARD OF TRUSTEES**

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

**DISTRICT ADMINISTRATION**

Dr. Bill F. Stewart
Interim Chancellor

Mr. Tony Cantú
President - Fresno City College

Dr. Sandra Caldwell
President - Reedley College

Ms. Deborah J. Ikeda
President- Clovis Community College Center

Mr. Edwin Eng
Vice Chancellor - Finance and Administration

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

Ms. Diane Clerou
Associate Vice Chancellor - Human Resources

See accompanying notes to supplementary information.

**STATE CENTER COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**

**For the Year Ended June 30, 2014**

| 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 | $ 1,001,711 |
| Federal Work Study (FWS) | 84.033 | 683,631 |
| Federal Pell Grants (PELL) | 84.063 | 52,897,794 |
| Financial Aid Admin Allowance | 84.063 | 148,139 |
| Federal Direct Student Loans | 84.268 | 2,040,674 |
| Subtotal Financial Aid Cluster | | 56,771,949 |
| TRIO Cluster: | | |
| Student Support Services | 84.042A | 1,357,262 |
| Upward Bound | 84.047A | 1,275,884 |
| Upward Bound - Math and Science | 84.047M | 820,691 |
| Subtotal TRIO Cluster | | 3,453,837 |
| Higher Education Institutional Aid Cluster: | | |
| Higher Education Institutional Aid - Science, Technology, Engineering, Math Improvement Projects | 84.031C | 812,810 |
| Higher Education Institutional Aid, Title V - COOP | 84.031S | 1,351,185 |
| Subtotal Higher Education Institutional Aid Cluster | | 2,163,995 |
| Minority Science Engineer Improvement Program | 84.120A | 61,395 |
| *Passed through California Department of Rehabilitation:* | | |
| Rehabilitation Services - Workability | 84.126A | 184,116 |
| *Passed through Fresno County Office of Education:* | | |
| Race to the Top | 84.359A | 23,714 |
| *Passed through California Community College Chancellor's Office:* | | |
| Career and Technical Education Cluster: | | |
| Central Regional Consortium Grant | 84.048A | 148,078 |
| CTE Transitions Grant | 84.048A | 88,050 |
| Career and Technical Education, Title IC | 84.048A | 1,168,058 |
| Subtotal Career and Technical Education Cluster | | 1,404,186 |
| Total U.S. Department of Education | | 64,063,192 |

(Continued)

**STATE CENTER COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
(Continued)
**For the Year Ended June 30, 2014**

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Federal Expenditures |
|---|---|---|
| U.S. Department of Labor | | |
| *Direct Program:* | | |
| Community Based Job Training - Health Care Training Grant | 17.269 | $ 202,738 |
| *Passed through Fresno County economic Opportunities Commission:* | | |
| Youth Build Smart | 17.261 | 9,870 |
| *Passed through Fresno Workforce Development Board:* | | |
| Welfare to Work Grants - Foster Bridge | 17.253 | 115,000 |
| WIB Direct Training Contract | 17.260 | 25,847 |
| *Passed through West Hills Community College District:* | | |
| Trade Adjustment Assistance Community College and Career Training Program | 17.282 | 1,939,319 |
| Total U.S. Department of Labor | | 2,292,774 |
| 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 | 174,612 |
| Child Care and Development Block Grant - Training Consortium | 93.575 | 26,957 |
| Child Care and Development Block Grant - Early Child Mentor Program | 93.575 | 4,674 |
| Subtotal Child Care Development Fund Cluster | | 206,243 |

(Continued)

## STATE CENTER COMMUNITY COLLEGE DISTRICT

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
**For the Year Ended June 30, 2014**

| 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) Cluster: | | |
| *Passed through California Community College Chancellor's Office:* | | |
| TANF- CalWORKs | 93.558 | $ 214,295 |
| *Passed through Madera County Dept. of Social Services:* | | |
| TANF - Vocational Training | 93.558 | 141,613 |
| *Passed through Tulare County Health & Human Services:* | | |
| TANF - Tulare CalWORKs Work Study Program | 93.558 | 21,155 |
| *Passed through Fresno County Health & Human Services:* | | |
| TANF - CalWORKs Employment & Temporary Assistance | 93.558 | 399,928 |
| Subtotal TANF Cluster | | 776,991 |
| *Passed through Foundation for California Community Colleges:* | | |
| Chafee Foster Care Independence Program - Youth Empowerment Strategies for Success | 93.674 | 22,056 |
| *Direct Program:* | | |
| Head Start | 93.600 | 72,851 |
| Total U.S. Department of Health and Human Services | | 1,078,141 |
| U.S. Department of Agriculture | | |
| *Passed through California Department of Education:* | | |
| Child and Adult Care Food Program Cluster: | | |
| Child and Adult Care Food Program - Child Care Food Services | 10.558 | 23,761 |
| Child and Adult Care Food Program - Promoting Integrity NOW (PIN) | 10.558 | 69,725 |
| State Administrative Expenses for Child Nutrition - Mandatory Training | 10.558 | 441,363 |
| State Administrative Expenses for Child Nutrition - Healthy & Active Preschoolers | 10.558 | 57,591 |
| Subtotal Child and Adult Care Food Program Cluster | | 592,440 |

(Continued)

**STATE CENTER COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**
(Continued)
**For the Year Ended June 30, 2014**

| 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:* | | |
| California Speciality Crop Cluster: | | |
| California Specialty Crop - Export Development | 10.170 | $ 45,399 |
| California Specialty Crop - Business Details | 10.170 | 457 |
| *Subtotal California Speciality Crop Cluster:* | | 45,856 |
| *Direct Programs:* | | |
| Rural Business Enterprise Grant- CA Agricultural Resource Center | 10.769 | 30,516 |
| Total U.S. Department of Agriculture | | 668,812 |
| U.S. Agency for International Development | | |
| *Passed through Georgetown University:* | | |
| Development Partnerships for University Cooperation and Development - SEED | 98.012 | 11,734 |
| U.S. Department of Commerce Economic Development Administration | | |
| *Direct Program:* | | |
| Agriculture Export Program - Planning and Local Technical Assistance | 11.303 | 96,044 |
| Central California Rural Economic Development Project | 11.307 | 56,065 |
| Total U.S. Department of Commerce | | 152,109 |
| U.S. Department of Housing and Urban Development | | |
| Hispanic Serving Institutions Assisting Communities Program | 14.514 | 13,925 |
| U.S. National Science Foundation | | |
| *Passed through Foundation for California State University, Fresno:* | | |
| Trans-NSF Recovery Act Research Support - METRO | 47.082 | 2,841 |
| U.S. Department of Environmental Protection Agency | | |
| State Trade and Export Promotion Pilot Grant Program (STEP) | 59.061 | 121,947 |
| U.S. Department of Veteran Affairs | | |
| Veterans Information and Assistance - Reporting Fees | 64.115 | 5,103 |
| Total Federal Programs | | $ 68,410,578 |

See accompanying notes to supplementary information.

**STATE CENTER COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF STATE FINANCIAL AWARDS**

**For the Year Ended June 30, 2014**

| | Program Entitlements | | | Program Revenues | | | | |
|---|---|---|---|---|---|---|---|---|
| | Prior Year Carry-forward | Current Entitlement | Total Entitlement | Cash Received | Accounts Receivable | Unearned Revenue/ Accounts Payable | Total | Program Expend-itures |
| AB86 Adult Education Consortium Planning Grant | $ - | $ 495,508 | $ 495,508 | $ 247,754 | $ - | $ 229,087 | $ 18,667 | $ 18,667 |
| Alternative Fuel Vehicle Program | - | 125,000 | 125,000 | - | 84,578 | - | 84,578 | 84,578 |
| Basic Skills | 541,413 | 337,100 | 878,513 | 878,513 | - | 529,796 | 348,717 | 348,717 |
| BFAP | - | 1,385,425 | 1,385,425 | 1,385,425 | - | 2,516 | 1,382,909 | 1,382,909 |
| Breastfeeding Initiative | - | 4,555 | 4,555 | - | 3,208 | - | 3,208 | 3,208 |
| CARE | - | 188,682 | 188,682 | 188,682 | - | 3 | 188,679 | 188,679 |
| Cal Grants | 3,382 | 4,295,153 | 4,298,535 | 4,311,843 | - | 13,308 | 4,298,535 | 4,298,535 |
| CalWORKs | - | 822,366 | 822,366 | 822,366 | - | 22,690 | 799,676 | 799,676 |
| Career Advancement Academy Implementation Grant | - | 300,000 | 300,000 | 208,113 | 90,238 | - | 298,351 | 298,351 |
| CCC Student Mental Health Program | 20,150 | 108,209 | 128,359 | 55,216 | 62,468 | - | 117,684 | 117,684 |
| Community Collaborative Projects | 483,502 | - | 483,502 | 396,502 | - | 47,463 | 349,039 | 349,039 |
| CRY-ROP Teach Project | - | 11,750 | 11,750 | 10,367 | 1,383 | - | 11,750 | 11,750 |
| Deputy Sector Navigator - Communication & Information | - | 300,000 | 300,000 | 120,000 | 106,605 | - | 226,605 | 226,605 |
| Disabled Students Services (DSPS) | - | 2,373,283 | 2,373,283 | 2,373,283 | - | 64,935 | 2,308,348 | 2,308,348 |
| Economic Opportunity Programs and Services (EOPS) | - | 2,065,564 | 2,065,564 | 2,064,651 | - | 1,003 | 2,063,648 | 2,063,648 |
| Enrollment Growth - Associate Degree Nursing Program | - | 363,500 | 363,500 | 233,520 | 57,766 | - | 291,286 | 291,286 |
| Equal Employment Opportunity Fund | - | 10,764 | 10,764 | 10,764 | - | - | 10,764 | 10,764 |
| Foster Care Education | - | 153,946 | 153,946 | 76,974 | 75,879 | - | 152,853 | 152,853 |
| IDRC - CITD | 146,905 | - | 146,905 | 75,457 | 23,873 | - | 99,330 | 99,330 |
| Instruction Equipment & Library Fund | - | 320,440 | 320,440 | 320,440 | - | - | 320,440 | 320,440 |
| Middle College High School Grant | - | 99,000 | 99,000 | 39,600 | 56,910 | - | 96,510 | 96,510 |
| Nursing Assessment and Remediation Grant | 107,000 | - | 107,000 | 89,880 | 17,120 | - | 107,000 | 107,000 |
| Peace Officer Standards and Training (POST) | - | 584,650 | 584,650 | 54,230 | 292,260 | - | 346,490 | 346,490 |
| PUENTE Project | - | 1,500 | 1,500 | 1,500 | - | - | 1,500 | 1,500 |

(Continued)

**STATE CENTER COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF STATE FINANCIAL AWARDS**
**(Continued)**

**For the Year Ended June 30, 2014**

| | Program Entitlements | | | Program Revenues | | | | |
|---|---|---|---|---|---|---|---|---|
| | Prior Year Carry-forward | Current Entitlement | Total Entitlement | Cash Received | Accounts Receivable | Unearned Revenue/ Accounts Payable | Total | Program Expend-itures |
| Sector Navigator-Agriculture, Water, & Environment | - | 421,405 | 421,405 | - | 352,327 | - | 352,327 | 352,327 |
| Scheduled Maintenance & Repair | - | 320,446 | 320,446 | 320,446 | - | - | 320,446 | 320,446 |
| Song Brown | - | 140,000 | 140,000 | 84,972 | 43,047 | - | 128,019 | 128,019 |
| Student Success (Credit) | - | 1,584,301 | 1,584,301 | 1,584,301 | - | 343,696 | 1,240,605 | 1,240,605 |
| Student Success (Non-credit) | - | 16,633 | 16,633 | 16,633 | - | 5,259 | 11,374 | 11,374 |
| Supplemental Educational Support Materials | - | 10,000 | 10,000 | 9,997 | - | - | 9,997 | 9,997 |
| Transition Aged Foster Youth Grant | - | 15,000 | 15,000 | 5,896 | 8,906 | - | 14,802 | 14,802 |
| Workforce Innovation Partnership | 167,813 | 218,750 | 386,563 | 310,001 | - | 210,594 | 99,407 | 99,407 |
| Total State Programs | $ 1,516,021 | $ 32,843,454 | $ 18,543,095 | $ 69,195,120 | $ 1,276,568 | $ 70,138,668 | $ 16,103,544 | $ 16,103,544 |

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, 2014**

| Categories | Reported Data | Audit Adjustments | Revised Data |
|---|---|---|---|
| A. Summer Intersession (Summer 2013 only) | | | |
| 1. Noncredit | 50 | - | 50 |
| 2. Credit | 604 | - | 604 |
| B. Summer Intersession (Summer 2014) - Prior to July 1, 2013) | | | |
| 1. Noncredit | 9 | - | 9 |
| 2. Credit | 1,070 | - | 1,070 |
| C. Primary Terms (Exclusive of Summer Intersession) | | | |
| 1. Census Procedure Courses | | | |
| a. Weekly Census Contact Hours | 20,007 | - | 20,007 |
| b. Daily Census Contact Hours | 1,577 | - | 1,577 |
| 2. Actual Hours of Attendance Procedure Courses | | | |
| a. Noncredit | 430 | - | 430 |
| b. Credit | 1,298 | - | 1,298 |
| 3. Independent Study/Work Experience | | | |
| a. Weekly Census Contact Hours | 1,262 | - | 1,262 |
| b. Daily Census Contact Hours | 159 | - | 159 |
| c. Noncredit Independent Study/ Distance Education Courses | - | - | - |
| D. Total FTES | 26,466 | - | 26,466 |
| Supplemental Information: | | | |
| E. In-Service Training Courses (FTES) | 172 | - | 172 |
| H. Basic Skills Courses and Immigrant Education | | | |
| a. Noncredit | 271 | - | 271 |
| b. Credit | 1,919 | - | 1,919 |
| CCFS 320 Addendum | | | |
| CDCP | 187 | - | 187 |
| Centers FTES | | | |
| a. Noncredit | 200 | - | 200 |
| b. Credit | 7,201 | - | 7,201 |

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, 2014

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, 2014

| | | Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 | | | Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 | | |
|---|---|---|---|---|---|---|---|
| | Object/TOP Codes | Reported Data | Audit Adjustments | Revised Data | Reported Data | Audit Adjustments | Revised Data |
| Academic Salaries | | | | | | | |
| Instructional salaries: | | | | | | | |
| Contract or regular | 1100 | $ 37,498,478 | $ - | $ 37,498,478 | $ 37,498,478 | $ - | $ 37,498,478 |
| Other | 1300 | 14,455,910 | - | 14,455,910 | 14,455,910 | - | 14,455,910 |
| Total instructional salaries | | 51,954,388 | - | 51,954,388 | 51,954,388 | - | 51,954,388 |
| Non-instructional salaries: | | | | | | | |
| Contract or regular | 1200 | - | - | - | 13,660,545 | - | 13,660,545 |
| Other | 1400 | - | - | - | 2,317,974 | - | 2,317,974 |
| Total non-instructional salaries | | - | - | - | 15,978,519 | - | 15,978,519 |
| Total academic salaries | | 51,954,388 | - | 51,954,388 | 67,932,907 | - | 67,932,907 |
| Classified Salaries | | | | | | | |
| Non-instructional salaries: | | | | | | | |
| Regular status | 2100 | - | - | - | 22,370,668 | - | 22,370,668 |
| Other | 2300 | - | - | - | 1,810,588 | - | 1,810,588 |
| Total non-instructional salaries | | - | - | - | 24,181,256 | - | 24,181,256 |
| Instructional aides: | | | | | | | |
| Regular status | 2200 | 1,673,697 | - | 1,673,697 | 1,673,697 | - | 1,673,697 |
| Other | 2400 | 772,711 | - | 772,711 | 772,711 | - | 772,711 |
| Total instructional aides | | 2,446,408 | - | 2,446,408 | 2,446,408 | - | 2,446,408 |
| Total classified salaries | | 2,446,408 | - | 2,446,408 | 26,627,664 | - | 26,627,664 |
| Employee benefits | 3000 | 12,748,585 | - | 12,748,585 | 26,631,836 | - | 26,631,836 |
| Supplies and materials | 4000 | - | - | - | 1,906,236 | - | 1,906,236 |
| Other operating expenses | 5000 | 179,542 | - | 179,542 | 10,437,564 | - | 10,437,564 |
| Equipment replacement | 6420 | - | - | - | - | - | - |
| Total expenditures prior to exclusions | | $ 67,328,923 | $ - | $ 67,328,923 | $133,536,207 | $ - | $133,536,207 |

(Continued)

## STATE CENTER COMMUNITY COLLEGE DISTRICT

## RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
(Continued)
**For the Year Ended June 30, 2014**

| | | 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 | $ 786,833 | $ - | $ 786,833 | $ 786,833 | $ - | $ 786,833 |
| Student health services above amount collected | 6441 | - | - | - | - | - | - |
| Student transportation | 6491 | - | - | - | - | - | - |
| Noninstructional staff-retirees' benefits and retirement incentives | 6740 | - | - | - | 442,989 | - | 442,989 |
| Objects to exclude: | | | | | | | |
| Rents and leases | 5060 | - | - | - | 103,911 | - | 103,911 |
| Lottery expenditures | | - | - | - | - | - | - |
| Academic salaries | 1000 | - | - | - | 4,020 | - | 4,020 |
| Classified salaries | 2000 | - | - | - | 71,201 | - | 71,201 |
| Employee benefits | 3000 | - | - | - | 89,181 | - | 89,181 |
| Supplies and materials: | 4000 | | | | | | |
| Software | 4100 | - | - | - | - | - | - |
| Books, magazines and periodicals | 4200 | - | - | - | - | - | - |
| Instructional supplies and materials | 4300 | - | - | - | 24,927 | - | 24,927 |
| Noninstructional supplies and materials | 4400 | - | - | - | 262,784 | - | 262,784 |
| Total supplies and materials | | - | - | - | 287,711 | - | - |
| Other operating expenses and services | 5000 | - | - | - | 2,060,194 | - | 2,060,194 |
| Capital outlay | 6000 | - | - | - | - | - | - |
| Library books | 6300 | - | - | - | - | - | - |
| Equipment: | 6400 | | | | | | |
| Equipment - additional | 6410 | - | - | - | - | - | - |
| Equipment - replacement | 6420 | - | - | - | - | - | - |
| Total equipment | | - | - | - | - | - | - |
| Total capital outlay | | - | - | - | - | - | - |
| Other outgo | 7000 | - | - | - | - | - | - |
| Total exclusions | | $ 786,833 | $ - | $ 786,833 | $ 3,846,040 | $ - | $ 3,846,040 |
| Total for ECS 84362, 50% Law | | $ 66,542,090 | $ - | $ 66,542,090 | $ 129,690,167 | $ - | $ 129,690,167 |
| Percent of CEE (instructional salary cost /Total CEE) | | 51.31% | - | 51.31% | 100% | - | 100% |
| 50% of current expense of education | | | | | $ 64,845,084 | $ - | $ 64,845,084 |

See accompanying notes to supplementary information.

**STATE CENTER COMMUNITY COLLEGE DISTRICT**

**PROP 30 EPA EXPENDITURE REPORT**
**For the Year Ended June 30, 2014**

**EPA Proceeds:** $ 20,143,251

| Activity Classification | Activity Code (0100-5900) | Salaries and Benefits (1000-3000) | Operating Expenses (4000-5000) | Capital Outlay (6000) | Total |
|---|---|---|---|---|---|
| Instructional Activities | $ | $ 20,143,251 | $ - | $ - | $ 20,143,251 |

See accompanying notes to supplementary information.

## 1. PURPOSE OF SCHEDULES

### A - Schedule of Expenditure of Federal Awards

The accompanying Schedule of Expenditure 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.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Net Position and the related expenditures reported on the Schedule of Expenditure of Federal Awards.

| Description | CFDA Number | Amount |
|---|---|---|
| Operating revenues | | $ 15,770,524 |
| Non-operating revenues | | 52,897,794 |
| Total Federal revenues, Statement of Revenues, Expenditures and Change in Net Position | | 68,668,318 |
| Add: Federal reimbursement of interest paid Build America Bonds | N/A | (257,740) |
| Total Federal Expenditures, Schedule of Expenditure of Federal Awards | | $ 68,410,578 |

### 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.

(Continued)

**1. PURPOSE OF SCHEDULES** (Continued)

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 LLP
Independent Member Crowe Horwath International

# 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, 2014:

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
Scheduled Maintenance Program
Gann Limit Calculation
Open Enrollment
Student Fees Health Fees and Use of Health Fee Funds
Proposition 39 Clean Energy
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 Bond Funded Projects
Proposition 30 Education Protection Account Funds

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance with state laws and regulations of State Center Community College District. We conducted our audit of compliance 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 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 state laws and regulations compliance requirements referred to above for the year ended June 30, 2014. 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.

**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 19, 2014

Crowe Horwath LLP
Independent Member Crowe Horwath International

# 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, 2014, 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 19, 2014. Our report includes a reference to other auditors who audited the financial statements of State Center Community College Foundation, as described in our report on State Center Community College District's financial statements. 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 19, 2014

Crowe Horwath LLP
Independent Member Crowe Horwath International

# 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, 2014. 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, 2014.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2014-001. Our opinion on each major federal program is not modified with respect to these matters.

State Center Community College District's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of 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.

***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.

**Purpose of this Report**

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 19, 2014

# FINDINGS AND RECOMMENDATIONS

**STATE CENTER COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2014**

**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)? | X | Yes | ____ | 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 |
| 93.558 | Temporary Assistance for Needy Families Cluster |

| | | | | |
|---|---|---|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $ 349,159 | | | |
| Auditee qualified as low-risk auditee? | X | Yes | ____ | No |

**STATE AWARDS**

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

**STATE CENTER COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**
(Continued)
**Year Ended June 30, 2014**

## SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

## SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### 2014-001 STUDENT FINANCIAL AID

Criteria

Returns of Title IV funds are required to be deposited or transferred into the Student Financial Aid account or electronic fund transfers initiated to ED or the appropriate FFEL lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew.

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the COD within 30 days of disbursement (OMB No. 1845-0021).

Condition

At Reedley College Title IV $2,729 in funds for nine students out of 25 were not returned to ED in a timely manner.

At Fresno City College Return to Title IV calculations for Fall 2013 and Spring 2014 were not completed until October 2014 and funds were not returned in a timely manner.

At Fresno City College two out of 25 students tested did not have any loan data submitted to Direct Loan Servicing System

Effect

The District is not in compliance with Federal requirements regarding the Return of Title IV Funds within the 45 day period.

The District is not in compliance with reporting loan data to the Direct Loan Servicing System.

Cause

Lack of adequate controls to ensure funds are returned within 45 days from the date the institution determines the student withdrew.

Lack of adequate controls over the extraction and submission of data files to COD and ultimately DLSS.

Fiscal Impact

Not determinable

Recommendation

The District should implement controls in order to ensure federal funds are returned within the required time period and data for all students receiving Direct Loan funds is submitted to COD/DLSS.

Corrective Action Plan

The District agrees with the auditor's recommendation and will ensure that procedures are followed to comply with the Title IV requirements. Both colleges are currently in compliance with their reporting and repayments.

## SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
**Year Ended June 30, 2014**

## SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

# STATUS OF PRIOR YEAR

# FINDINGS AND RECOMMENDATIONS

## STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

**Year Ended June 30, 2014**

| Finding/Recommendation | Current Status | District Explanation If Not Fully Implemented |
|---|---|---|
| **2013-01**<br><br>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.<br><br>We recommend the District review future scheduling of course sections to ensure required break time is properly calculated for total class contact hours. | Implemented | |