STATE CENTER COMMUNITY COLLEGE DISTRICT

Fresno, California

FINANCIAL STATEMENTS

June 30, 2015

STATE CENTER COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2015

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Statement of Net Position	12
Statement of Revenues, Expenses and Change in Net Position	13
Statement of Cash Flows	14
Statement of Fiduciary Net Position	16
Statement of Change in Fiduciary Net Position	17
Notes to Financial Statements	18
Required Supplementary Information:	
Schedule of Other Postemployment Benefits (OPEB) Funding Progress and Schedule of Employer Contributions	48
Schedule of the District's Proportionate Share of the Net Pension Liability	49
Schedule of the District's Contribution	51
Note to Required Supplementary Information	53
Supplementary Information:	
Organization	54
Schedule of Expenditure of Federal Awards	55
Schedule of State Financial Awards	59
Schedule of Workload Measures for State General Apportionment	61
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements	62
Reconciliation of ECS 84362 (50 Percent Law) Calculation	63
Prop 30 EPA Expenditure Report	65
Notes to Supplementary Information	66

STATE CENTER COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2015

TABLE OF CONTENTS
(Continued)

	Page
Independent Auditor's Report on State Compliance Requirements	68
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	70
Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance	72
Findings and Recommendations:	
Schedule of Audit Findings and Questioned Costs	74
Status of Prior Year Findings and Recommendations	78

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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in June 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, “Accounting and Financial Reporting for Pensions.” Also, in November 2013 the GASB issued GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date”. As discussed in notes 8 and 9, GASB Statements No. 68 and No. 71 are effective for the District’s fiscal year ending June 30, 2015. These Statements replace the requirements of GASB Statement No. 27, “Accounting for Pensions by State and Local Governmental Employers” and GASB Statement No. 50, “Pension Disclosures.” GASB Statements No. 68 and No. 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information (RSI) requirements about pensions are also addressed. Our opinion is not modified with respect to this matter.

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 4 to 11 and Schedule of Other Postemployment Benefits (OPEB) Funding Progress and Schedule of Employer Contributions, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 48 to 52 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 10, 2015 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 10, 2015

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

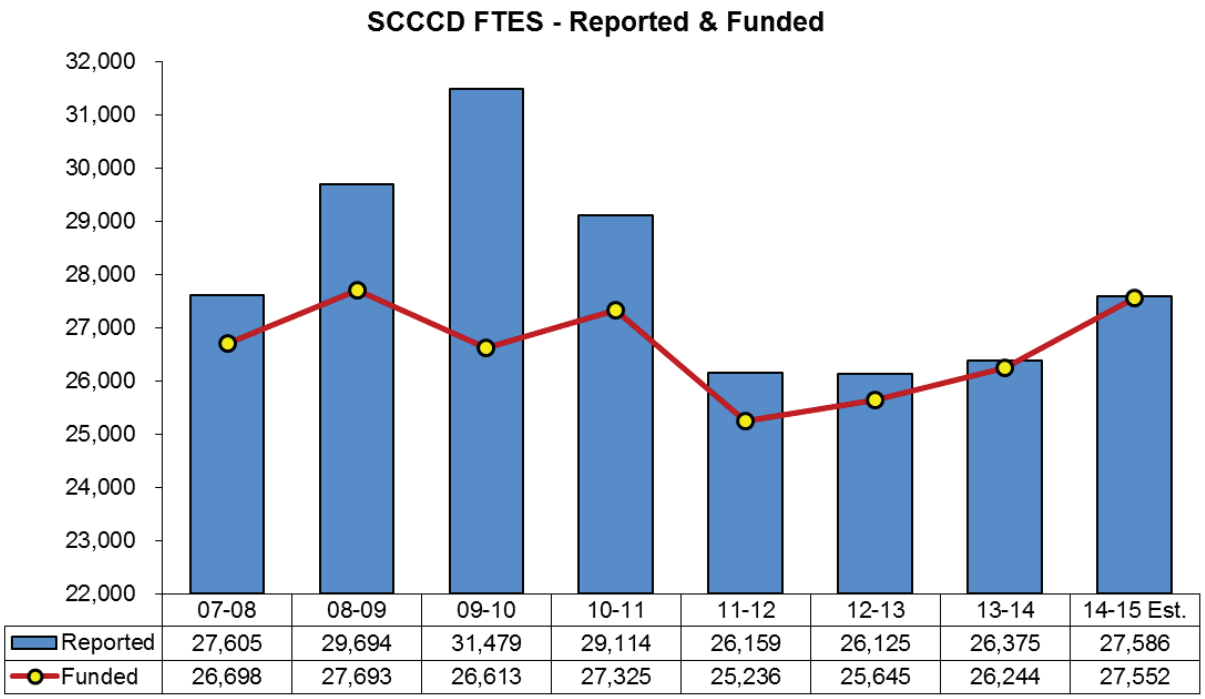
The District's unrestricted funding comes primarily from three sources: state apportionment, property taxes, and enrollment fees. The largest component of the three is state apportionment, which is based on the calculation of Full-Time Equivalent Students (FTES). During fiscal year 2014-15, the community college system received restoration funding of approximately $138 million or a 2.75% increase in funded FTES over the previous year. Based on the CCFS-320 RECALC report, the District reported 27,586 resident FTES for the 2014-15 fiscal year and anticipates being funded for approximately 27,552 FTES, representing nearly $6.2 million in restored funding. In addition to restoration funding, the community college system received approximately $47 million (a 0.85% increase) for a cost of living adjustment (COLA) for 2014-15, which amounts to a little more than $1.1 million for the District.

The passage of Proposition 30 in November 2012 continues to provide the State the enhanced revenues to support our educational system. During 2014-15, the remaining inter-year apportionment deferral to the community college system was completely eliminated, allowing districts to receive their full funding within the current fiscal year. Even though the State's revenues have improved over the previous bad years, California community colleges must continue to be strategic in their curriculum offerings, 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.

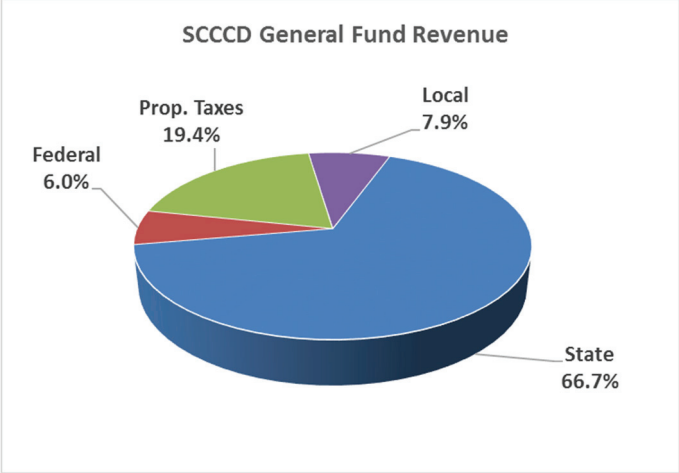
Additionally, on March 19, 2015, State Center Community College District successfully issued its 2015 General Obligation Refunding Bonds in order to refinance $61.6 million of outstanding general obligation bonds that voters approved in 2002 to finance the acquisition, construction, reconstruction, and modernization of certain District properties and facilities. With interest rates in the municipal market near their 30-year lows, the District was able to take advantage of extremely attractive conditions to generate significant savings for taxpayers. Through this refinancing, property owners in the District will save $8.3 million over the next 16

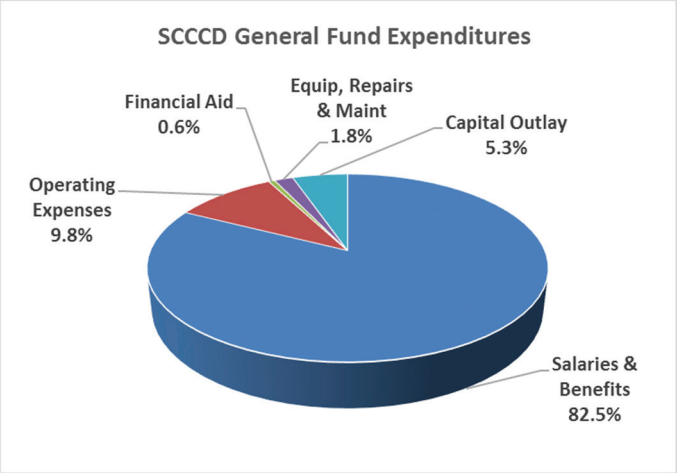
years. This transaction is in addition to the refinancing the District undertook in 2012 that saved taxpayers $2.3 million.

The graph following demonstrates the historical differences between reported and funded FTES for the District:



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 (unrestricted and restricted).





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 and deferred inflow of resources—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 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.

The District's financial position, as a whole, has reduced significantly as of the fiscal year ending June 30, 2015. Its total Net Position decreased $148.2 million from the previous year as a result of the implementation of GASB 68, *Accounting and Financial Reporting for Pensions*, which introduces new requirements for accrual-basis recognition by state and local governments of employer costs and obligations for pensions. The District participates in the CalSTRS and CalPERS pension plans and, at present, both plans have a net pension liability.

Highlights of the major changes include a significant decrease in the short-term receivable of nearly $23 million primarily related to the elimination of the state apportionment receivable and reduced property tax receivable, which was offset by a comparable increase in cash. Deferred loss on refunding of debt increased as a result of the District refinancing a significant portion of its 2007 and 2009 series bonds, yielding an overall taxpayer saving of $8.3 million. Unearned revenues increased by $7 million related to state grant funds carrying over to the next fiscal year and $1.2 million in deferred apportionment funding. Additionally, restricted cash and Net Position restricted for expendable purposes increased by $6.8 and $5.7 million, respectively, as a result of resources being allocated to scheduled maintenance and capital projects. Lastly, long-term liabilities and deferred inflows and outflows of resources increased significantly as a result of the GASB 68 implementation reporting. The District's proportionate share of the plan's net pension liability, pension expense, and deferred items are based on the District's proportionate share of total employer contributions to the plan.

Condensed financial information is as follows:

Statement of Net Position, Cont'd

	As of June 30th (in thousands)		
ASSETS:	**2015**	**2014**	% Change
CURRENT ASSETS			
Cash, Investments, and Short-Term Receivables	$ 74,467	$ 73,564	1.2%
Inventory and Prepaid Expenses	2,559	2,237	14.4%
TOTAL CURRENT ASSETS	$ 77,026	$ 75,801	1.6%
NON-CURRENT ASSETS			
Restricted Cash	$ 24,730	$ 17,964	37.7%
Net Plan Assets - OPEB	7	59	-88.1%
Capital Assets, Net of Depreciation	289,408	288,338	0.4%
TOTAL NON-CURRENT ASSETS	$ 314,145	$ 306,361	2.5%
TOTAL ASSETS	$ 391,171	$ 382,162	2.4%
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflows of Resources - Pension	$ 10,233	$ -	na
Deferred Loss from Refunding of Debt	6,753	613	1001.6%
	$ 16,986	$ 613	2671.0%
TOTAL ASSETS & DEFERRED OUTFLOWS	$ 408,157	$ 382,775	6.6%
LIABILITIES:			
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	$ 19,505	$ 17,403	12.1%
Unearned Revenue	16,436	7,480	119.7%
Amount Held in Trust on Behalf of Others	565	560	0.9%
Compensated Absences Payable	3,386	3,625	-6.6%
Long Term Liabilities	3,971	2,660	49.3%
TOTAL CURRENT LIABILITIES	$ 43,863	$ 31,728	38.2%
NON-CURRENT LIABILITIES			
Long-Term Liabilities	$ 231,573	$ 104,183	122.3%
TOTAL LIABILITIES	$ 275,436	$ 135,911	102.7%
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of Resources - Pension	$ 34,545	$ -	na
	$ 34,545	$ -	na
NET POSITION:			
Net Investment in Capital Assets	$ 185,933	$ 185,198	0.4%
Restricted for Expendable Purposes	30,736	24,997	23.0%
Unrestricted	(118,493)	36,669	-423.1%
TOTAL NET POSITION	$ 98,176	$ 246,864	-60.2%
TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION	$ 408,157	$ 382,775	6.6%

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; the expenses paid by the District, operating and non-operating; and any other revenues, expenses, gains and losses, received or spent by the District. State general apportionment funds, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

Changes in total net 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.

Condensed financial information is as follows:

	For the years Ended June 30th (in thousands)		
	2015	**2014**	% Change
OPERATING REVENUES			
Tuition & Fees	$ 11,541	$ 10,752	7.3%
Grants & Contracts, Non-Capital	40,958	34,281	19.5%
Auxillary Enterprises & Other Operating Revenues	5,094	5,537	-8.0%
TOTAL OPERATING REVENUES	$ 57,593	$ 50,570	13.9%
OPERATING EXPENDITURES			
Salaries and Benefits	$ 158,696	$ 144,425	9.9%
Supplies, Maintenance & Other Operating Expenses	28,979	24,477	18.4%
Financial Aid	63,348	61,844	2.4%
Depreciation	9,295	8,740	6.4%
TOTAL OPERATING EXPENDITURES	$ 260,318	$ 239,486	8.7%
OPERATING (LOSS)	$ (202,725)	$ (188,916)	7.3%
NON-OPERATING REVENUES (EXPENSES)			
State Apportionment	$ 97,813	$ 94,404	3.6%
Property Taxes	43,509	39,935	8.9%
State Revenues	10,405	4,779	117.7%
Pell Grant	53,740	52,898	1.6%
Net Interest Income / (Expense)	(4,572)	(4,778)	-4.3%
Other Non-Operating Revenue	(14)	(25)	-44.0%
TOTAL NON-OPERATING REVENUES (EXPENSES)	$ 200,881	$ 187,213	7.3%
(LOSS) / INCOME BEFORE OTHER REV AND EXP	$ (1,844)	$ (1,703)	8.3%
CAPITAL REVENUE			
Federal, State and Local Capital Income	$ 1,337	$ 1,249	7.0%
(DECREASE) / INCREASE IN NET POSITION	$ (507)	$ (454)	11.7%
NET POSITION, BEGINNING	$ 246,864	$ 247,318	-0.2%
Cummulative effect of GASB 68 Implementation	(148,180)	-	na
NET POSITION, ENDING	$ 98,177	$ 246,864	-60.2%

Highlights of the significant changes include an increase in non-capital grants and contracts revenue by $6.7 million, which relates to the increased state funding for the disabled student program and services (DSPS), student success and support program (SSSP), student equity program, and the physical plant and instructional support programs. Salary and benefits expenditures increased by $14.3 million due to the effects of a 2% off-schedule bonus payment, cost of living adjustment (COLA) increase of 0.85%, GASB 68 related pension expense, recognition of a $4.6 million state on-behalf STRS contribution, and increases in staffing to

enhance course offerings and student support programs. State apportionment, property taxes, and enrollment fees increased approximately $7.8 million as a result of restored access funding and the state COLA. Of this amount, property taxes grew by $3.6 million due to improving assessed valuations. Financial aid related expenditures increased by $1.5 million as a result of receiving more financial assistance funding. Additionally, non-operating state revenues increased by $5.6 million due to the need to recognize a $4.6 million state on-behalf STRS contribution and an additional $1.0 million of one-time state mandated claim revenue. Lastly, the Statement of Revenues, Expenses and Change in Net Position saw an overall decrease in net position of approximately $148.2 million, most of which ($147.5 million) is attributed to the effects of the implementation of GASB 68 to recognize the District's share of the CalSTRS and CalPERS plan's net pension liability.

Statement of Cash Flows

The statement of cash flows provides additional information about the District's financial results by reporting its major sources and uses of cash. This information assists readers in assessing the District's ability to generate revenue, meet its obligations as they come due, and evaluate its need for external financing. The statement is divided into four parts: (1) operating cash flows, which illustrate the net cash used by the operating activities of the institution; (2) cash flows from non-capital financing activities, which illustrate the sources and uses of those funds; (3) cash flows from capital and related financing activities, which reflect the cash used for the acquisition and construction of capital and related items; and (4) cash flows from investing activities, which reflects the cash received and spent for short-term investments and any interest paid or received on those investments.

Condensed financial information is as follows:

	For the years Ended June 30th (in thousands)	
	2015	**2014**
Cash provided by (used in)		
Operating activities	$ (184,667)	$ (178,905)
Non-capital financing activities	230,550	196,626
Capital financing activities	(16,370)	(12,462)
Investing activities	613	694
Net increase/(decrease) in cash	$ 30,126	$ 5,953
Cash, Beginning of Year	$ 56,645	$ 50,692
Cash, End of Year	$ 86,771	$ 56,645

Economic and Financial Factors Affecting the Future of the District

California Economy

The State's economy has been on the upswing over the past two years providing community college districts a banner year of revenues for fiscal year (FY) 2015-16. This funding is both on-going and one-time in nature. It is anticipated FY 2016-17 revenues will be good as well, but beyond FY 2016-17 funding is uncertain. California has had a tendency for boom and bust economies and it is only a matter of time before the next recession. Districts need to be conscious of these historical trends.

Proposition 30

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. However, we must remain cognizant that Proposition 30 is only a temporary source of revenue. We must continue to pay attention to the economic health of the State and be on guard for the future economic declines. With California's Proposition 30 sales tax hike expiring in 2016 and income tax hikes expiring in 2018, a coalition of public employees, teachers and school employees, among others (The Alliance for a Better California) recently filed an initiative for next year's ballot to temporarily

extend income tax hikes on some of the wealthiest residents. The group must collect more than half-a-million signatures to qualify the Constitutional Amendment for the 2016 ballot. If approved by voters, the income tax revenue would be dedicated to classroom expenses for public schools and community colleges and could not be redirected. A second proposal to extend Proposition 30 is being led by the California Hospital Association, the Service Employees International Union-United Healthcare Workers West, and Common Sense Kids Action in which 50-percent of the estimated $10 billion a year in annual revenues would go to K-14 education; 40-percent to California's Medi-Cal program for low-income people; and the remainder to prekindergarten and early childhood development programs. An additional mitigating factor of future reductions in state apportionment funding was the 2014 passage of Proposition 2 - the State Rainy Day Fund by which funds in economic good times are set aside to be made available during economic down times.

Health Benefits / Affordable Care Act (ACA)

Employee health benefit cost increases continue to be a major concern for the District. 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 benefits (co-pays and deductibles) in an effort to maintain premiums near the negotiated district maximum contribution. The District also offers an HMO medical plan through Kaiser Permanente; however, the HMO plans have experienced more significant rate increases over the past few years. Effective for October 2015, State Center employees have the option of choosing from four different health care plans from one of the two medical providers. Some plans require employees to pay a portion of their health care premium, ranging from $0 to $616 per month depending on the plan selected.

In addition, the Affordable Care Act (ACA) is continuing to unveil itself, and the full financial impact is still to be determined; however, it is most likely that health benefit related costs will increase. While the ACA attempts to provide the citizenry with affordable health insurance, it also places many new and seemingly ever-changing regulations and commitments on employers. This legislation, when fully implemented, will impact the resources of the District, both in human capital and financial resources. Additional human resources are necessary to implement and meet the regulatory compliance demands, and financial resources will be required to provide for the additional health insurance benefits the act provides to employees.

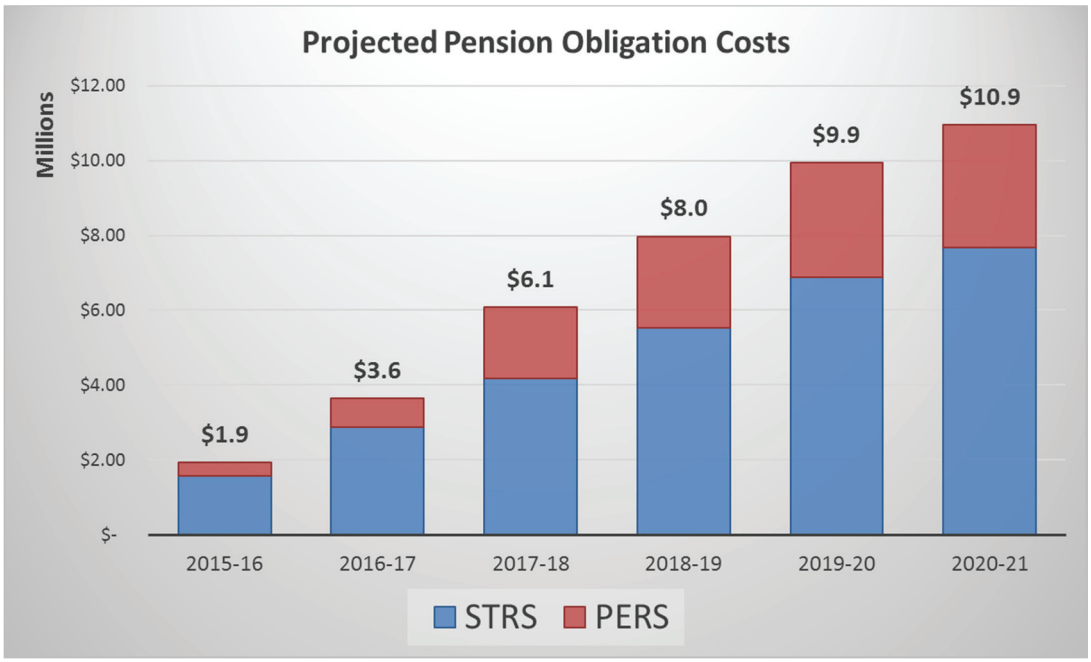
Pension Liability

One of the most significant financial concerns facing the California educational system is the unfunded liability of the two major pension systems: CalPERS (California Public Employees' Retirement System) and CalSTRS (California State Teachers' Retirement System). 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 2015-16, the employer contribution rate rises to 11.847%. The CalSTRS system cannot unilaterally increase employer or employee contribution rates as any rate change requires legislative action. In June 2014, the Governor signed Assembly Bill 1469 which authorizes the contribution rate increases for employers, employees, and the State for fiscal years 2014-15 to 2020-21. The STRS employer contribution rate for 2015-16 increases to 10.73%. The table following shows the proposed future employer contribution rate for the two pension plans:

	Employer Contribution Rate	
	CalSTRS	CalPERS
2015-16	10.730%	11.847%
2016-17	12.580%	13.050%
2017-18	14.430%	16.600%
2018-19	16.280%	18.200%
2019-20	18.130%	19.900%
2020-21	19.100%	20.400%

These rate increases represent a substantial impact on future budgets for the District, with no guaranteed proposal from the State as to how or even if they will provide additional funding to support these increases.

Fortunately, the 2015-16 state budget did provide some additional discretionary base funding to address operational cost increases. The State Chancellor's Office encouraged districts to consider designating some of those resources for the future pension cost increases. At the September 2015 board meeting, district administration recommended and the Board approved setting aside $7.5 million ($3.0 million on-going funds and $4.5 million one-time funds) to address the District's anticipated future pension costs increases. The following table reflects the District's anticipated increases in pension costs over the next several years:



Summary

With the historically unreliable nature of the State's revenue, community colleges will continue to face challenges and the uncertainty of how our educational system will be funded each year, which significantly impacts the District's ability to establish any type of consistent budget plan for the future. However, our district will continue to reflect on its mission, critically consider the level of services provided, and assess what services are required to adequately address the needs of an increasingly diverse population of students seeking 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 to meet the needs of the District.

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

ASSETS	
Current assets:	
Cash and cash equivalents	$ 62,041,340
Investments	1,630
Receivables, net	12,423,701
Prepaid expenses	251,864
Stores inventories	2,307,242
Total current assets	77,025,777
Noncurrent assets:	
Restricted cash and cash equivalents	24,729,799
OPEB asset	7,093
Non-depreciable capital assets	35,238,707
Depreciable capital assets, net	254,169,311
Total noncurrent assets	314,144,910
Total assets	391,170,687
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions	10,233,543
Deferred loss from refunding of long-term liabilities	6,753,086
Total deferred outflows of resources	16,986,629
Total assets and deferred outflows of resources	$ 408,157,316
LIABILITIES	
Current liabilities:	
Accounts payable	$ 19,504,776
Unearned revenue	16,435,770
Due to fiduciary funds	564,990
Compensated absences payable	3,386,427
Long-term liabilities - current portion	3,970,632
Total current liabilities	43,862,595
Noncurrent liabilities:	
Long-term liabilities - noncurrent portion	231,573,021
Total liabilities	275,435,616
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	34,545,000
NET POSITION	
Net investment in capital assets	185,933,348
Restricted for:	
Capital projects and debt service	23,360,432
Educational programs	1,534,000
Self insurance	5,569,024
Other activities	272,607
Unrestricted	(118,492,711)
Total net position	98,176,700
Total liabilities, deferred inflows of resources and net position	$ 408,157,316

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, 2015

Operating revenues:	
Tuition and fees	$ 37,982,887
Less: scholarship discounts and allowances	(26,441,518)
Net tuition and fees	11,541,369
Grants and contracts, non-capital:	
Federal	14,528,252
State	24,914,884
Local	1,514,563
Auxiliary enterprise sales and charges:	
Bookstore	2,221,542
Cafeteria	766,238
Other operating local revenues	2,106,512
Total operating revenues	57,593,360
Operating expenses:	
Salaries	119,952,055
Employee benefits	38,743,879
Supplies, materials, and other operating expenses and services	25,669,832
Equipment, maintenance and repairs	3,308,918
Student aid	63,348,542
Depreciation	9,295,349
Total operating expenses	260,318,575
Loss from operations	(202,725,215)
Non-operating revenues (expenses):	
State apportionment, non-capital	97,813,365
Local property taxes	43,508,775
State taxes and other revenues	10,404,726
Pell grants	53,740,555
Investment income, net	621,451
Interest expense on capital asset-related debt, net	(5,193,289)
Other nonoperating revenues (expenses)	(14,192)
Total non-operating revenues (expenses)	200,881,391
Loss before capital revenues	(1,843,824)
Capital revenues:	
State property taxes and revenues	781,749
Local property taxes and revenues	555,195
Total capital revenues	1,336,944
Change in net position	(506,880)
Net position, July 1, 2014	246,863,629
Cumulative effect of GASB 68 implementation	(148,180,049)
Net position, July 1, 2014, as restated	98,683,580
Net position, June 30, 2015	$ 98,176,700

See accompanying notes to financial statements.

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2015

Cash flows from operating activities:	
Tuition and fees	$ 11,392,593
Grants and contracts	40,534,181
Payments of scholarships and grants	(63,348,542)
Payments to suppliers and vendors	(19,141,543)
Payments to and on behalf of employees	(158,692,754)
Auxiliary enterprises sales and charges	4,588,969
Net cash used in operating activities	(184,667,096)
Cash flows from noncapital financing activities:	
State appropriations	114,706,618
Local property taxes	43,508,775
State taxes and other revenues	10,222,551
Pell grants	53,740,555
Other non-operating expenses	8,372,130
Net cash provided by noncapital financing activities	230,550,629
Cash flows from capital and related financing activities:	
State apportionments for capital purposes	781,749
Capital grants received	555,195
Purchase of capital assets	(10,392,499)
Principal paid on capital debt	(2,488,739)
Interest paid on capital debt, net	(4,825,964)
Net cash used in capital and related financing activities	(16,370,258)
Cash flows from investing activities:	
Investment income	612,707
Change in cash and cash equivalents	30,125,982
Cash and cash equivalents, July 1, 2014	56,645,157
Cash and cash equivalents, June 30, 2015	$ 86,771,139

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2015

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (202,725,215)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	9,295,349
Changes in assets and liabilities:	
Receivables, net	(2,598,664)
Prepaid expenses	2,157
Inventories	(324,421)
Deferred outflows of resources - pensions	(902,592)
Accounts payable and accrued liabilities	2,725,182
Unearned revenue	8,955,336
Other postemployment benefits and compensated absences	(443,228)
Net pension liability	(33,196,000)
Deferred inflows of resources - pensions	34,545,000
Net cash used in operating activities	$ (184,667,096)

Supplemental disclosure of non-cash transactions:

Amortization of premiums debt	$ 153,739
Amortization of deferred loss on refunding	$ 6,140,280

During the year ended June 30, 2015, the District issued general obligation refunding bonds to refund existing debt outstanding. The proceeds from refunding issuance totaled $68,776,421 for the future defeasance of $61,645,000 of previously outstanding general obligation bonds.

See accompanying notes to financial statements.

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	Student Trust Funds	OPEB Irrevocable Trust Fund	Student Agency Funds
ASSETS			
Cash and cash equivalents	$ 70,820	$ 116,986	$ 533,116
Investments:			
Mutual funds - equities	-	7,055,902	-
Mutual funds - fixed income	-	5,575,789	-
Receivables, net	861	-	419
Due from other funds	218,175	-	346,815
Total assets	$ 289,856	$ 12,748,677	$ 880,350
LIABILITIES			
Accounts payable	$ 127	$ -	$ 35,540
Unearned revenue	9,041	-	-
Due to student groups	-	-	844,810
Total liabilities	9,168	-	880,350
NET POSITION			
Total net position held in trust	280,688	12,748,677	-
Total liabilities and net position	$ 289,856	$ 12,748,677	$ 880,350

See accompanying notes to financial statements.

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2015

	Student Trust Funds	OPEB Irrevocable Trust Fund
Additions:		
Net investment income (loss), net:		
Net depreciation in the fair value of plan investments	$ -	$ (344,558)
Dividends and interest	20	297,184
Investment expenses	-	(87,961)
Total net investment income (loss)	20	(135,335)
Employer contributions	-	837,738
Student fees	15,962	-
Other operating revenue	82,637	-
Other non-operating revenue	148,134	-
Total additions	246,753	702,403
Deductions:		
Supplies, materials and other operating costs	109,496	-
Equipment, maintenance and repairs	2,373	-
Student aid	146,935	-
Total deductions	258,804	-
Net (decrease) increase	(12,051)	702,403
Net position held in trust:		
Net position, July 1, 2014	292,739	12,046,274
Net position, June 30, 2015	$ 280,688	$ 12,748,677

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $4,292,589 for the year ended June 30, 2015.

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 $5,193,289 and $74,053, respectively, for the year ended June 30, 2015.

Compensated Absences

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

Accumulated Sick Leave

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

Unearned Revenue

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 has recognized a 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. During the year ended June 30, 2015, the District refunded debt and recorded a deferred loss on refunding of $6,753,086. Additionally, the District has recognized a deferred outflow of resources related to the payments made subsequent to the measurement date for the pensions.

In addition to liabilities, the Statement of Net Position reports 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 has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the statement of net position.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP an PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The following is a summary of pension amounts in aggregate:

	CalSTRS	CalPERS	Total
Deferred outflows of resources	$ 6,431,132	$ 3,802,411	$ 10,233,543
Deferred inflows of resources	$ 21,927,000	$ 12,618,000	$ 34,545,000
Net pension liability	$ 89,044,000	$ 35,271,000	$ 124,315,000
Pension expense	$ 12,304,165	$ 2,963,786	$ 15,267,951

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, 2015, 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Scholarship Discounts and Allowances

Student tuition and fee revenue are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Change in Net 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.

New Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and GASB 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. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's financial period beginning July 1, 2014. Based on the implementation of GASB Statement No. 68, the District's July 1, 2014 net position was restated by $148,180,049 because of the recognition of the net pension liability and deferred outflows of resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In November 2013, the GASB issued GASB 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 GASB 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 GASB 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 pension liability. GASB Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 71, the District established a deferred outflow category to report the payments made subsequent to the measurement date of the pensions as well as deferred inflow category to report the net differences between projected and actual earnings on investments of the pensions in the statement of net position.

In February 2015, the GASB issued its final standard on accounting and financial reporting issues related to fair value measurements, applicable primarily to investments made by state and local governments. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under GASB Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of GASB Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of Statements No. 67 and 68, completes the suite of pension standards. GASB Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by GASB Statements No. 67 and No. 68). The requirements in GASB Statement No. 73 for reporting pensions generally are the same as in GASB Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions in GASB Statement No. 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. Management has not determined what impact this statement will have on its financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2015, the GASB issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The GASB Statement follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. GASB Statement No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This statement is effective for the District's fiscal year ending June 30, 2017. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB has issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. GASB Statement No. 75 carries forward from GASB Statement No. 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances (called special funding situations) GASB Statement No. 75 requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. The provisions in GASB Statement No. 75 are effective for fiscal years ending June 30, 2018. Earlier application is encouraged. Management has not determined what impact this GASB statement will have on its financial statements, however it is expected to be significant.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2015, the GASB has issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. That will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement also is intended to improve implementation guidance by elevating its authoritative status to a level that requires it be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. In connection with GASB Statement No. 76, the GASB also recently cleared Implementation Guide No. 2015-1, which incorporates changes resulting from feedback received during the public exposure of all of implementation guidance previously issued. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this GASB statement will have on its financial statements.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 2015, consisted of the following:

	District	Fiduciary
Pooled Funds:		
Cash in County Treasury	$ 55,689,585	$ 107,103
Deposits:		
Cash on hand and in banks	6,351,755	613,819
Cash held by Fiscal Agent	24,729,799	-
Total cash and cash equivalents	86,771,139	720,922
Less: restricted cash and cash equivalents		
Cash held by Fiscal Agent	24,729,799	-
Total restricted cash and cash equivalents	24,729,799	-
Net cash and cash equivalents	$ 62,041,340	$ 720,922

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash in County Treasury

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

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

The District's deposits in the fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The Fresno County Treasurer has indicated that there are no derivatives in the pool as of June 30, 2015.

District investments at June 30, 2015 consisted of the following:

Mutual funds	$ 1,630

Investments held within the OPEB trust fund at June 30, 2015 consisted of the following:

Mutual funds - equities	$ 7,055,902
Mutual funds - fixed income	5,575,789
Total investments	$ 12,631,691

Cash with Fiscal Agent

Cash with Fiscal Agent of $24,729,799 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, 2015, the carrying amount of the District's accounts was $6,965,574, and the bank balances were $10,598,283, of which $10,036,362 was uninsured but collateralized.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Credit Risk

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

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

Interest Rate Risk

The District'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, 2015, 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, 2015, the District had no concentration of credit risk.

3. RECEIVABLES

Receivables

Receivables at June 30, 2015 are summarized as follows:

	District	Fiduciary
Federal	$ 3,325,765	$ -
State	4,107,710	-
Local and other	9,282,815	13,108
	16,716,290	13,108
Less allowance for doubtful accounts	(4,292,589)	(11,828)
	$ 12,423,701	$ 1,280

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2014	Additions and Transfers	Deductions and Transfers	Balance June 30, 2015
Non-depreciable:				
Land	$ 31,646,516	$ -	$ -	$ 31,646,516
Construction in progress	2,920,063	672,128	-	3,592,191
Depreciable:				
Land improvements	26,400,343	2,041,142	-	28,441,485
Buildings and improvements	298,549,675	3,164,596	-	301,714,271
Furniture and equipment	16,911,722	4,425,880	(887,372)	20,450,230
Vehicles	2,431,790	88,753	(430,484)	2,090,059
Total	378,860,109	10,392,499	(1,317,856)	387,934,752
Less accumulated depreciation:				
Land improvements	5,997,055	1,211,095	-	7,208,150
Buildings and improvements	72,795,981	6,443,911	-	79,239,892
Furniture and equipment	9,747,322	1,544,466	(860,690)	10,431,098
Vehicles	1,982,201	95,877	(430,484)	1,647,594
Total	90,522,559	9,295,349	(1,291,174)	98,526,734
Capital assets, net	$ 288,337,550	$ 1,097,150	$ (26,682)	$ 289,408,018

5. UNEARNED REVENUE

Unearned revenue at June 30, 2015 consisted of the following:

	District	Fiduciary
Unearned Federal and State revenue	$ 9,426,438	$ -
Unearned tuition and student fees	6,552,812	-
Unearned local grant revenue and other	456,520	9,041
Total unearned revenue	$ 16,435,770	$ 9,041

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, 2015, $10,855,000 of Series 2004A bonds outstanding are considered defeased. The remaining bonds matured August 1, 2014, with interest yields ranging from 3.00 to 5.25 percent.

6. LONG-TERM LIABILITIES (Continued)

During June 2007, the District issued the 2002 General Obligation Bonds, Series 2007A in the amount of $66,000,000. In March 2015, the District issued General Obligation Refunding Bonds and the proceeds were used to refund a portion of the 2002 General Obligation Bonds, Series 2007A. At June 30, 2015, $57,795,000 of Series 2007A bonds outstanding are considered defeased. The remaining bonds mature through August 1, 2017, with interest yields ranging from 4.00 to 5.25 percent. At June 30, 2015, the principal outstanding was $3,390,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2007A outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 945,000	$ 118,350	$ 1,063,350
2017	1,125,000	76,950	1,201,950
2018	1,320,000	27,225	1,347,225
	$ 3,390,000	$ 222,525	$ 3,612,525

During July 2009, the District issued the 2002 General Obligation Bonds, Series 2009A in the amount of $10,000,000. In March 2015, the District issued General Obligation Refunding Bonds and the proceeds were used to refund a portion of the 2002 General Obligation Bonds, Series 2009A. At June 30, 2015, $3,850,000 of Series 2009A bonds outstanding are considered defeased. The remaining bonds mature through August 1, 2019, with interest yields ranging from 3.00 to 5.25 percent. At June 30, 2015, the principal outstanding was $1,900,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2009A outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 305,000	$ 83,438	$ 388,438
2017	340,000	68,838	408,838
2018	380,000	50,837	430,837
2019	415,000	30,443	445,443
2020	460,000	9,775	469,775
	$ 1,900,000	$ 243,331	$ 2,143,331

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

During July 2009, the District issued the 2002 General Obligation Bonds, Series 2009B in the amount of $10,000,000. The Series 2009B bonds are designated "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). Pursuant to the Recovery Act, the District expects to receive a cash subsidy payment from the U.S. Treasury equal to 35% of the interest payable on the Series 2009B Bonds on or about each interest payment date. The bonds mature beginning on August 1, 2026 through August 1, 2033, with an interest yield of 8.00 percent. At June 30, 2015, 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, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ -	$ 800,000	$ 800,000
2017	-	800,000	800,000
2018	-	800,000	800,000
2019	-	800,000	800,000
2020	-	800,000	800,000
2021-2025	-	4,000,000	4,000,000
2026-2030	4,275,000	3,347,800	7,622,800
2031-2034	5,725,000	956,600	6,681,600
	$ 10,000,000	$ 12,304,400	$ 22,304,400

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. At June 30, 2015, $10,855,000 of Series 2003A bonds and $13,460,000 of Series 2004A bonds outstanding are considered defeased. 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, 2015, the principal outstanding was $22,975,000 and unamortized premium was $3,192,893. Premiums are amortized over the life of the bonds as a component of interest expense on the bonds.

The annual payments required to amortize the 2012 General Obligation Refunding Bonds outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,495,000	841,687	2,336,687
2021-2025	8,555,000	3,048,375	11,603,375
2026-2029	7,475,000	727,414	8,202,414
	$ 22,975,000	$ 8,517,026	$ 31,492,026

6. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

During March 2015, the District issued 2015 General Obligation Refunding Bonds in the amount of $56,955,000. 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 2007A and 2009A and to pay the costs of issuance associated with the Refunding Bonds. At June 30, 2015, $57,795,000 of Series 2007A bonds and $3,850,000 of Series 2009A bonds outstanding are considered defeased. The bonds mature beginning on August 1, 2015 through August 1, 2031, with interest yields ranging from 2.00 to 5.00 percent. At June 30, 2015, the principal outstanding was $56,955,000 and unamortized premium was $11,821,421. Premiums are amortized over the life of the bonds as a component of interest expense on the bonds.

Calculation of Difference in Cash Flow Requirements and Economic Gain

Cash Flow Difference

Old debt service cash flows	$ 98,157,675
New debt service cash flows	89,884,033
	$ 8,273,642

Economic Gain

The economic gain or difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate of approximately 3 percent is $6,692,876.

There was no accrued interest or sinking fund resources related to the new debt proceeds.

The annual payments required to amortize the 2015 General Obligation Refunding Bonds outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 680,000	$ 832,133	$ 1,512,133
2017	-	2,786,100	2,786,100
2018	-	2,786,100	2,786,100
2019	1,275,000	2,786,100	4,061,100
2020	1,490,000	2,735,100	4,225,100
2021-2025	14,425,000	12,108,250	26,533,250
2026-2030	24,010,000	7,755,500	31,765,500
2031-2032	15,075,000	1,139,750	16,214,750
	$ 56,955,000	$ 32,929,033	$ 89,884,033

6. LONG-TERM LIABILITIES (Continued)

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, 2015, 11 employees were eligible to receive payments under the program and the liability totaled $994,339.

Changes in Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014 as restated	Additions	Deductions	Balance June 30, 2015	Amounts Due Within One Year
General Obligation Bonds	$ 102,245,000	$ 56,955,000	$ 63,980,000	$ 95,220,000	$ 3,220,000
Premium on General Obligation Bonds	3,346,632	11,821,421	153,739	15,014,314	614,467
Net pension liability (Note 8 and 9)	157,511,000	-	33,196,000	124,315,000	-
Other postemployment benefits (Note 10)	(59,458)	2,106,218	2,053,853	(7,093)	-
Long-Term Disability Liability	1,251,579	-	257,240	994,339	136,165
Compensated absences	3,624,780	-	238,353	3,386,427	3,386,427
	$ 267,919,533	$ 70,882,639	$ 99,879,185	$ 238,922,987	$ 7,357,059

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. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS

General Information about the State Teachers' Retirement Plan

Plan Description

Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at http://www.calstrs.com/comprehensive-annual-financial-report.

8. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

General Information about the State Teachers' Retirement Plan (Continued)

Benefits Provided

The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

8. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

General Information about the State Teachers' Retirement Plan (Continued)

Contributions

Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members – Under CalSTRS 2% at 60, the member contribution rate was 8.15 percent of applicable member earnings for fiscal year 2014-15. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.15 percent of applicable member earnings for fiscal year 2014-15.

In general, member contributions cannot increase unless members are provided with some type of "comparable advantage" in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this "comparable advantage," the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 8.88 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

The CalSTRS employer contribution rate increases effective for fiscal year 2014-15 through fiscal year 2045-46 are summarized in the table below:

Effective Date	Prior Rate	Increase	Total
July 01, 2014	8.25%	0.63%	8.88%
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

8. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

General Information about the State Teachers' Retirement Plan (Continued)

Contributions (Continued)

The District contributed $6,431,132 to the plan for the fiscal year ended June 30, 2015.

State – 5.954 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the state contributed $200.7 million of the $267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of $66.9 million was included in an increased first quarter payment of $94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046-47.

The CalSTRS state contribution rates effective for fiscal year 2014-15 and beyond are summarized in the table below:

Effective Date	Base Rate	AB 1469 Increase For 1990 Benefit Structure	SBMA Funding	Total State Appropriation to DB Program
July 01, 2014	2.017%	1.437%	2.50%	5.954%
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.571%*

* The new legislation also gives the board limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure shall be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

8. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$ 89,044,000
State's proportionate share of the net pension liability associated with the District	53,769,000
Total	$ 142,813,000

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating educational entities and the State. At June 30, 2014, the District's proportion was 0.152 percent, which was an increase of zero from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of $12,304,165 and revenue of $4,588,000 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	21,927,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	6,431,132	-
Total	$ 6,431,132	$ 21,927,000

8. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

$6,431,132 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	$ 5,481,750
2017	$ 5,481,750
2018	$ 5,481,750
2019	$ 5,481,750

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2014. The STRP net pension liability as of June 30, 2013 and the STRP net pension liability as of June 30, 2014 are based on the June 30, 2013 actuarial valuation for the first year of implementation. As a result there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis for more information.

8. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Methods and Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. Based on the model from CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash / Liquidity	1%	0.00%

* 10-year geometric average

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

8. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	$138,796,000	$ 89,044,000	$ 47,560,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

9. NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description

The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at https://www.calpers.ca.gov/docs/forms-publications/cafr-2014.pdf.

Benefits Provided

The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

9. NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

General Information about the Public Employer's Retirement Fund B (Continued)

Contributions

The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to $863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2015 were as follows:

Members – The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2014-15.

Employers – The employer contribution rate was 11.771 percent of applicable member earnings.

The District contributed $3,802,411 to the plan for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of $35,271,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2014, the District's proportion was 0.311 percent, which was an increase of 0.004 percent from its proportion measured as of June 30, 2013.

9. NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2015, the District recognized pension expense of $2,963,786. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	$ -	$ -
Net differences between projected and actual earnings on investments	$ -	$ 12,120,000
Changes in proportion and differences between District contributions and proportionate share of contributions	$ -	$ 498,000
Contributions made subsequent to measurement date	$ 3,802,411	$ -
Total	$ 3,802,411	$ 12,618,000

$3,802,411 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	$ 3,196,000
2017	$ 3,196,000
2018	$ 3,196,000
2019	$ 3,030,000

Actuarial Methods and Assumptions

The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

9. NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Methods and Assumptions (Continued)

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Long-Term* Assumed Asset Allocation	Expected Real Rate of Return
Global Equity	47%	5.25%
Global Fixed Income	19%	0.99%
Inflation Insensitive	6%	0.45%
Private Equity	12%	6.83%
Real Estate	11%	4.50%
Infrastructure & Forestland	3%	4.50%
Liquidity	2%	(0.55)

* 10-year geometric average

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in the actuarial valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Plan and the District.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

9. NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discount Rate (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 61,701,000	$ 35,271,000	$ 12,859,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

10. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8 and 9, 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. 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 SCFT 1984 ERIP, 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.

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	$ 2,105,416
Interest on net OPEB obligation	(2,973)
Adjustment to annual required contribution	3,775
Annual OPEB cost	2,106,218
Contributions made	(2,053,853)
Decrease in net OPEB obligation	52,365
Net OPEB liability - beginning of year	(59,458)
Net OPEB asset - end of year	$ (7,093)

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2015 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, 2013	$ 2,018,964	59.4%	$ 3,230,494
June 30, 2014	$ 2,029,665	262.1%	$ (59,458)
June 30, 2015	$ 2,106,218	97.5%	$ (7,093)

As of July 1, 2014, the most recent actuarial valuation date, the plan was 43.6 percent funded. The actuarial accrued liability for benefits was $27.6 million, and the actuarial value of assets was $12.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $15.6 million. As of the last actuarial, the covered payroll (annual payroll of active employees covered by the Plan) was $85.3 million, and the ratio of the UAAL to the covered payroll was 18 percent. The single-employer defined benefit 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. Separate financial statements are not issued for the trust.

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, 2014, actuarial valuation, the Unit Credit cost method was used to value the liability. The actuarial assumptions included a 5.0 percent investment rate of return which is the estimated long-term yield on the employer's own investments restricted for the purpose to finance benefit payments and is consistent with what other similarly situated governmental employers are using, and an annual healthcare cost trend rate of 7.5 percent trending down to an ultimate 5.0 percent after ten years. A 2.0 percent morbidity assumption was used to increase expected medical claims. The UAAL is being amortized utilizing the level dollar method on an closed basis. The remaining amortization period at June 30, 2015, was 22 years.

11. COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

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

The District has received Federal and State funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could 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, 2015, the District has approximately $2.2 million in outstanding commitments on construction contracts.

12. JOINT POWERS AGREEMENTS

State Center Community College District participates in public entity risk pool joint power agreements (JPAs), with Valley Insurance Program (VIP) and Fresno Area Self-Insured Benefit Organization (FASBO). Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There have been no significant reductions in insurance coverage from coverage in the prior year. 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.

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, 2014	FASBO Sept. 30, 2014
Total assets	$ 21,505,157	$ 7,013,834
Total liabilities	$ 6,303,253	$ 3,986,192
Net position	$ 15,201,904	$ 3,027,642
Total revenues	$ 5,422,577	$ 20,337,411
Total expenses	$ 4,911,877	$ 21,487,166
Change in net position	$ 510,700	$ (1,149,755)

13. OPERATING EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2015.

Functional Classifications	Salaries	Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Equipment Maintenance and Repairs	Financial Aid	Depreciation	Total
Instruction	$ 60,574,572	$ 16,198,531	$ 3,077,370	$ 614,865	$ 112,065	$ -	$ 80,577,403
Academic Support	15,336,469	5,082,433	1,663,853	1,202,601	19,134	-	23,304,490
Student Services	22,062,610	6,920,943	3,571,763	256,909	928,821	-	33,741,046
Operations and Maintenance of Plant	4,865,065	2,524,174	6,634,189	212,085	-	-	14,235,513
Institutional Support Services	12,358,209	6,209,312	5,574,597	948,518	7,500	-	25,098,136
Community Services & Economic Development	1,180,042	384,622	1,823,522	5,752	-	-	3,393,938
Ancillary Services & Auxiliary Operations	3,575,088	1,423,864	3,324,538	68,188	35	55,392	8,447,105
Student Aid	-	-	-	-	62,280,987	-	62,280,987
Depreciation	-	-	-	-	-	9,239,957	9,239,957
	$ 119,952,055	$ 38,743,879	$ 25,669,832	$ 3,308,918	$ 63,348,542	$ 9,295,349	$ 260,318,575

REQUIRED SUPPLEMENTARY INFORMATION

STATE CENTER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2015

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%
July 1, 2014	$ 12,046,274	$ 27,620,493	$ 15,574,219	43.6%	$ 85,246,695	18%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution (ARC)	Contributions	Percentage of ARC Contributed
June 30, 2009	$ 3,076,964	$ 5,451,876	177%
June 30, 2010	$ 3,076,964	$ 1,026,123	33%
June 30, 2011	$ 1,994,296	$ 1,001,374	50%
June 30, 2012	$ 1,994,296	$ 1,090,660	55%
June 30, 2013	$ 2,051,458	$ 1,198,296	58%
June 30, 2014	$ 2,051,458	$ 5,319,617	259%
June 30, 2015	$ 2,105,416	$ 2,053,853	98%

See independent auditor's report on Required Supplementary Information.

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

For the Year Ended June 30, 2015

State Teacher's Retirement Plan
Last 10 Fiscal Years

	2015
District's proportion of the net pension liability	0.152%
District's proportionate share of the net pension liability	$ 89,044,000
State's proportionate share of the net pension liability associated with the District	53,769,000
Total net pension liability	$ 142,813,000
District's covered-employee payroll	$ 67,869,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.20%
Plan fiduciary net position as a percentage of the total pension liability	76.52%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(Continued)
For the Year Ended June 30, 2015

Public Employers Retirement Fund B
Last 10 Fiscal Years

		2015
District's proportion of the net pension liability		0.311%
District's proportionate share of the net pension liability	$	35,271,000
District's covered-employee payroll	$	32,615,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		108.14%
Plan fiduciary net position as a percentage of the total pension liability		83.38%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

For the Year Ended June 30, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

		2015
Contractually required contribution	$	6,431,132
Contributions in relation to the contractually required contribution	$	6,431,132
Contribution deficiency (excess)	$	-
District's covered-employee payroll	$	72,423,000
Contributions as a percentage of covered-employee payroll		8.88%

All years prior to 2015 are not available.

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
(Continued)
For the Year Ended June 30, 2015

Public Employers Retirement Fund B
Last 10 Fiscal Years

		2015
Contractually required contribution	$	3,802,411
Contributions in relation to the contractually required contribution	$	3,804,411
Contribution deficiency (excess)	$	-
District's covered-employee payroll	$	32,303,000
Contributions as a percentage of covered-employee payroll		11.77%

All years prior to 2015 are not available.

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.

B - Schedule of the District's Proportionate Share of the Net Pension Liability

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

C - Schedule of the District's Contributions

The Schedule of District Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

E - Changes of Assumptions

There are no changes in assumptions reported in the Required Supplementary Information.

SUPPLEMENTARY INFORMATION

STATE CENTER COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2015

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, 2015 were composed of the following members:

BOARD OF TRUSTEES

Members	Office	Term Expires
Ronald H. Nishinaka	President	2018
Richard M. Caglia	Vice President	2016
John Leal	Secretary	2016
Miguel Arias	Member	2018
Bobby Kahn	Member	2018
Patrick E. Patterson	Member	2016
Eric Payne	Member	2016

DISTRICT ADMINISTRATION

Dr. Bill F. Stewart
Interim Chancellor

Dr. Cynthia E. Azari
Interim 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
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, 2015

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	$ 1,274,400
Federal Work Study (FWS)	84.033	773,196
Federal Pell Grants (PELL)	84.063	53,740,555
Financial Aid Admin Allowance	84.063	84,046
Federal Direct Student Loans	84.268	1,925,811
Subtotal Financial Aid Cluster		57,798,008
TRIO Cluster:		
Student Support Services	84.042A	1,348,837
Upward Bound	84.047A	1,292,470
Upward Bound - Math and Science	84.047M	733,821
Subtotal TRIO Cluster		3,375,128
Higher Education Institutional Aid Program:		
Higher Education Institutional Aid - Science, Technology, Engineering, Math Improvement Projects	84.031C	960,661
Higher Education Institutional Aid, Title V - COOP	84.031S	1,246,066
Subtotal Higher Education Institutional Aid Program		2,206,727
Passed through California Department of Rehabilitation:		
Rehabilitation Services - Workability	84.126A	200,122
Passed through Fresno County Office of Education:		
Race to the Top	84.359A	28,470
Passed through California Community College Chancellor's Office:		
Career and Technical Education Program:		
Central Regional Consortium Grant	84.048A	1,202,166
CTE Transitions Grant	84.048A	205,550
Career and Technical Education, Title IC	84.048A	60,646
Subtotal Career and Technical Education Program		1,468,362
Total U.S. Department of Education		65,076,817

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Labor		
Passed through Fresno Workforce Development Board:		
Welfare to Work Grants - Foster Bridge	17.253	$ 108,722
Passed through West Hills Community College District:		
Trade Adjustment Assistance Community College and Career Training Program	17.282	676,442
Total U.S. Department of Labor		785,164
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	27,656
Child Care and Development Block Grant - Training Consortium	93.575	304,203
Child Care and Development Block Grant - Early Child Mentor Program	93.575	4,454
Subtotal Child Care Development Fund Cluster		336,313

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2015

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	$ 202,742
Passed through Madera County Dept. of Social Services:		
TANF - Vocational Training	93.558	133,267
Passed through Tulare County Health & Human Services:		
TANF - Tulare CalWORKs Work Study Program	93.558	25,929
Passed through Fresno County Health & Human Services:		
TANF - CalWORKs Employment & Temporary Assistance	93.558	393,981
Subtotal TANF Cluster		755,919
Passed through Foundation for California Community Colleges:		
Chafee Foster Care Independence Program - Youth Empowerment Strategies for Success	93.674	22,422
Total U.S. Department of Health and Human Services		1,114,654
U.S. Department of Agriculture		
Passed through California Department of Education:		
Child and Adult Care Food Program Program:		
Child and Adult Care Food Program - Child Care Food Services	10.558	38,236
Child and Adult Care Food Program - Promoting Integrity NOW (PIN)	10.558	132,525
Subtotal Child and Adult Care Food Program		170,761
State Administrative Expenses for Child Nutrition Program:		
State Administrative Expenses for Child Nutrition - Mandatory Training	10.560	379,082
State Administrative Expenses for Child Nutrition - Healthy & Active Preschoolers	10.560	69,688
Subtotal State Administrative Expenses for Child Nutrition Program		448,770

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2015

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 Specialty Crop Program:		
California Specialty Crop - Export Development	10.170	$ 335,381
California Specialty Crop - Business Details	10.170	5,966
California Specialty Crop - Trade Mission to Mexico	10.170	52,065
California Specialty Crop - Export Promotion	10.170	1,063
Subtotal California Specialty Crop Program		394,475
Passed through Humboldt State University:		
HIS Education Pathway Grant	10.223	48
Total U.S. Department of Agriculture		1,014,054
U.S. Agency of Small Business Administration		
Passed through California Community College Chancellor's Office:		
State Trade and Export Promotion Pilot Grant Program (STEP)	59.061	98,964
U.S. Department of Veteran Affairs		
Veterans Information and Assistance - Reporting Fees	64.115	9,112
Research & Development Cluster		
U.S. National Science Foundation		
Passed through California Community College Chancellor's Office:		
Collections in Support of Biological Research	47.074	39,127
Total Federal Programs		$ 68,137,892

See accompanying notes to supplementary information.

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2015

	Program Revenues				Total
	Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total	Program Expenditures
AB86 Adult Education Consortium Planning Grant	$ 427,289	$ 38,185	$ -	$ 465,474	$ 465,474
Ag Summer Camp - Paramount	-	693	-	693	693
Alternative Fuel Vehicle Program	39,295	-	(15)	39,280	39,280
Basic Skills	856,614	-	(289,849)	566,765	566,765
BFAP	1,432,453	-	(3,581)	1,428,872	1,428,872
CARE	166,760	1,656	(68)	168,348	168,348
Cal Grants	4,856,073	-	(15,291)	4,840,782	4,840,782
CalWORKs	842,287	-	(17,364)	824,923	824,923
Career Advancement Academy Grant	147,057	111,171	-	258,228	258,228
CCC Student Mental Health Program	41,485	18,479	-	59,964	59,964
Community Collaborative Projects	115,894	-	-	115,894	115,894
CRY-ROP Teach Project	17,500	-	-	17,500	17,500
CTE Enhancement Fund	4,299,884	-	(4,053,764)	246,120	246,120
Deputy Sector Navigator - Communication & Information	80,000	213,848	-	293,848	293,848
Disabled Students Services (DSPS)	3,433,148	-	(70,169)	3,362,979	3,362,979
Economic Opportunity Programs and Services (EOPS)	1,992,661	-	(6,180)	1,986,481	1,986,481
Enrollment Growth - Associate Degree Nursing Program	481,101	-	-	481,101	481,101
Equal Employment Opportunity Fund	10,275	-	-	10,275	10,275
Foster Care Education	75,178	75,178	-	150,356	150,356
IDRC - CITD	-	280,800	-	280,800	280,800
Instruction Equipment & Library Fund	1,748,675	-	-	1,748,675	1,748,675
Middle College High School Grant	39,600	59,400	-	99,000	99,000
Paramount Agriculture Career Academy	-	12,902	-	12,902	12,902
Peace Officer Standards and Training (POST)	40,648	348,177	-	388,825	388,825
Prop 39 Clean Energy Workforce Program Improvement Fund	-	40,332	-	40,332	40,332

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS
(Continued)

For the Year Ended June 30, 2015

	Program Revenues				Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Income	Total	
PUENTE Project	$ 3,000	$ -	$ (52)	$ 2,948	$ 2,948
Sector Navigator-Agriculture, Water, & Environment	149,000	167,373	-	316,373	316,373
Sector Navigator - Riverside CCD EWD Program	-	80,000	-	80,000	80,000
Scheduled Maintenance & Repair	1,748,676	-	-	1,748,676	1,748,676
Song Brown	126,816	54,563	(15,364)	166,015	166,015
State Energy Resources Conservation & Development Program	10,000	15,000	-	25,000	25,000
State Equity Fund	2,141,378	-	(1,283,111)	858,267	858,267
Student Success (Credit)	3,992,429	-	(1,340,078)	2,652,351	2,652,351
Student Success (Non-credit)	23,541	-	(5,801)	17,740	17,740
Supplemental Educational Support Materials	9,994	-	-	9,994	9,994
Transition Aged Foster Youth Grant	3,169	6,020	-	9,189	9,189
Workforce Innovation Partnership	62,101	-	(307)	61,794	61,794

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, 2015

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2014 only)			
1. Noncredit	45	-	45
2. Credit	1,322	-	1,322
B. Summer Intersession (Summer 2014) - Prior to July 1, 2013)			
1. Noncredit	1	-	1
2. Credit	1,006	-	1,006
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	20,100	-	20,100
b. Daily Census Contact Hours	1,785	-	1,785
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	430	-	430
b. Credit	1,362	-	1,362
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	1,414	-	1,414
b. Daily Census Contact Hours	255	-	255
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
D. Total FTES	27,720	-	27,720
Supplemental Information:			
E. In-Service Training Courses (FTES)	271	-	271
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	280	-	280
b. Credit	1,993	-	1,993
CCFS 320 Addendum			
CDCP	-	-	-
Centers FTES			
a. Noncredit	7,959	-	7,959
b. Credit	195	-	195

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, 2015

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, 2015

		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	$ 39,089,874	$ -	$ 39,089,874	$ 39,089,874	$ -	$ 39,089,874
Other	1300	17,379,692	-	17,379,692	17,379,692	-	17,379,692
Total instructional salaries		56,469,566	-	56,469,566	56,469,566	-	56,469,566
Non-instructional salaries:							
Contract or regular	1200	-	-	-	14,314,398	-	14,314,398
Other	1400	-	-	-	2,487,477	-	2,487,477
Total non-instructional salaries		-	-	-	16,801,875	-	16,801,875
Total academic salaries		56,469,566	-	56,469,566	73,271,441	-	73,271,441
Classified Salaries							
Non-instructional salaries:							
Regular status	2100	-	-	-	22,721,981	-	22,721,981
Other	2300	-	-	-	2,139,756	-	2,139,756
Total non-instructional salaries		-	-	-	24,861,737	-	24,861,737
Instructional aides:							
Regular status	2200	1,727,241	-	1,727,241	1,727,241	-	1,727,241
Other	2400	1,043,890	-	1,043,890	1,043,890	-	1,043,890
Total instructional aides		2,771,131	-	2,771,131	2,771,131	-	2,771,131
Total classified salaries		2,771,131	-	2,771,131	27,632,868	-	27,632,868
Employee benefits	3000	13,792,495	-	13,792,495	27,961,271	-	27,961,271
Supplies and materials	4000	-	-	-	1,972,468	-	1,972,468
Other operating expenses	5000	450,523	-	450,523	12,486,812	-	12,486,812
Equipment replacement	6420	-	-	-	-	-	-
Total expenditures prior to exclusions		$ 73,483,715	$ -	$ 73,483,715	$143,324,860	$ -	$143,324,860

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
(Continued)
For the Year Ended June 30, 2015

		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	$ 794,105	$ -	$ 794,105	$ 794,105	$ -	$ 794,105
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	-	-	-
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	422,010	-	422,010
Objects to exclude:							
Rents and leases	5060	-	-	-	84,068	-	84,068
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	13,794	-	13,794
Classified salaries	2000	-	-	-	62,695	-	62,695
Employee benefits	3000	-	-	-	81,900	-	81,900
Supplies and materials:	4000						
Software	4100	-	-	-	23,954	-	23,954
Books, magazines and periodicals	4200	-	-	-	1,002	-	1,002
Instructional supplies and materials	4300	-	-	-	5,094	-	5,094
Noninstructional supplies and materials	4400	-	-	-	165,241	-	165,241
Total supplies and materials		-	-	-	195,291	-	195,291
Other operating expenses and services	5000	-	-	-	2,088,785	-	2,088,785
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Equipment:	6400						
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	-	-	-
Total capital outlay		-	-	-	-	-	-
Other outgo	7000	-	-	-	-	-	-
Total exclusions		$ 794,105	$ -	$ 794,105	$ 3,742,648	$ -	$ 3,742,648
Total for ECS 84362, 50% Law		$ 72,689,610	$ -	$ 72,689,610	$ 139,582,212	$ -	$ 139,582,212
Percent of CEE (instructional salary cost /Total CEE)		52.08%	-	52.08%	100.00%	-	100%
50% of current expense of education					$ 69,791,106	$ -	$ 69,791,106

See accompanying notes to supplementary information.

STATE CENTER COMMUNITY COLLEGE DISTRICT

PROP 30 EPA EXPENDITURE REPORT
For the Year Ended June 30, 2015

EPA Proceeds: $ 25,593,283

Activity Classification	Activity Code (0100-5900)	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities		$ 25,593,283	$ -	$ -	$ 25,593,283

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
Federal revenues, Statement of Revenues, Expenditures and Change in Net Position:		
Operating revenues		$ 14,528,252
Non-operating revenues		53,740,555
Total Federal revenues		68,268,807
Less: Federal reimbursement of interest paid Build America Bonds	N/A	(130,915)
Total Federal Expenditures, Schedule of Expenditure of Federal Awards		$ 68,137,892

B - Schedule of State Financial Awards

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

C - Schedule of Workload Measures for State General Apportionment

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

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

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

(Continued)

1. PURPOSE OF SCHEDULES (Continued)

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, 2015:

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
Intersession Extension Program
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

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 in compliance with state laws and regulations. However, 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, 2015. Further, based upon our examination, for items not tested, nothing came to our attention to indicate State Center Community College District had not complied with the state laws and regulations.

Other Matters

The results of our audit procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Contracted District Audit Manual and which is described in the accompanying Schedule of Audit Findings and Questioned Costs as item 2015-001. Our opinion with State Laws and Regulations is not modified with respect to this matter.

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

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 10, 2015

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 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 and fiduciary activities of State Center Community College District as of and for the year ended June 30, 2015, 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 10, 2015.

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 10, 2015

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, 2015. 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, 2015.

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 10, 2015

FINDINGS AND RECOMMENDATIONS

STATE CENTER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.268	Student Financial Aid Cluster
84.048A	Career and Technical Education Program
84.031C, 84.031S	Higher Education Institutional Aid Program
93.575	Child Care Development Fund Cluster
10.170	California Specialty Crop Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 310,197			
Auditee qualified as low-risk auditee?	X	Yes	_____	No

STATE AWARDS

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

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2015-001 STATE COMPLIANCE - EXTENDED OPPORTUNITY PROGRAMS & SERVICES AND COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (474)

Criteria

State allocations for EOPS are awarded on the basis of need, as supported by data submitted by the community college districts. The submitted data is expected to reflect the number of documented, eligible EOPS students identified and served by the District.

Condition

Sample selections were made from the detailed listing of students receiving EOPS support and services from the District for the 2014-2015 academic year.

Out of 25 students selected for testing, one student from Fresno City College was not served by the District for EOPS services and should have been excluded from the data submitted to the State for allocation of EOPS funding.

Effect

The District is not in compliance with State requirements for EOPS. Based on the total of 2,264 students receiving EOPS support and services and an error rate of 4 percent, the extrapolated error of this finding is 91 students.

Cause

Adequate procedures are not in place to ensure data submitted to the State only includes eligible students who received EOPS support and services.

Fiscal Impact

Not determinable.

Recommendation

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

Corrective Action Plan

The student in question was added to the EOPS enrollment roster based on the expectation that she would submit the remaining documents required for EOPS and CARE eligibility. This action was taken to allow her to participate in priority registration. Four other students were also added under similar expectations. However, this one student failed to complete her file and was subsequently unable to participate in EOPS supportive services. She also did not participate in priority registration. Unfortunately, she was not removed from the EOPS MIS Data File record prior to submission to the Chancellor's Office. The EOPS office has since stopped this practice and informed employees that no student shall be added as an active EOPS student until all of their required documents have been submitted and eligibility confirmed.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

STATE CENTER COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2015

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
2014-001 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 . 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.	Implemented.	