STATE CENTER COMMUNITY COLLEGE DISTRICT
Fresno, California

FINANCIAL STATEMENTS
June 30, 2016

STATE CENTER COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

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(Continued)

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, 2016, 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, 2016, 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.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3 to 13 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 46 to 50 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 State Center Community College Districtt's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016 on our consideration of State Center Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering State Center Community College District's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 19, 2016

The following discussion and analysis provides an overview of the financial position and activities of the State Center Community College District (the District) for the year ended June 30, 2016. This discussion has been prepared by management and should be read in conjunction with the financial statements, including the notes thereto, which follow this section.

HISTORY

State Center Community College District was formed in 1964 when it assumed control of Fresno City College and Reedley College. The District serves approximately one million people and 18 unified and high school districts in more than 5,743 square miles of urban and rural territory, including most of Fresno and Madera counties and portions of Kings and Tulare counties. The District is governed by a seven-member board of trustees who represent seven trustee areas. Fresno City College, established in 1910, enrolls in excess of 34,000 students annually and offers more than 100 associate of arts and science degree programs and 60 certificate of achievement programs in vocational/occupational areas. Reedley College, established in 1926, is located in Reedley (approximately 25 miles southeast of Fresno) and enrolls approximately 10,600 students in a variety of courses and degree programs in occupational education and the arts and sciences. Clovis Community College was established in 1992 as a center and became the system's newest college (#113) in July 2015, and enrolls nearly 9,800 students. Clovis provides comprehensive educational opportunities for basic skills development, associate degrees, certificates for workforce development, and transfer degrees. The District operates two educational centers with a combined enrollment of approximately 5,700 students annually. The Madera and Oakhurst centers offer programs in general education for transfer and two-year degrees. In addition, the District offers occupational and technical training at its Career and Technology Center and the Training Institute.

ACCOUNTING STANDARDS

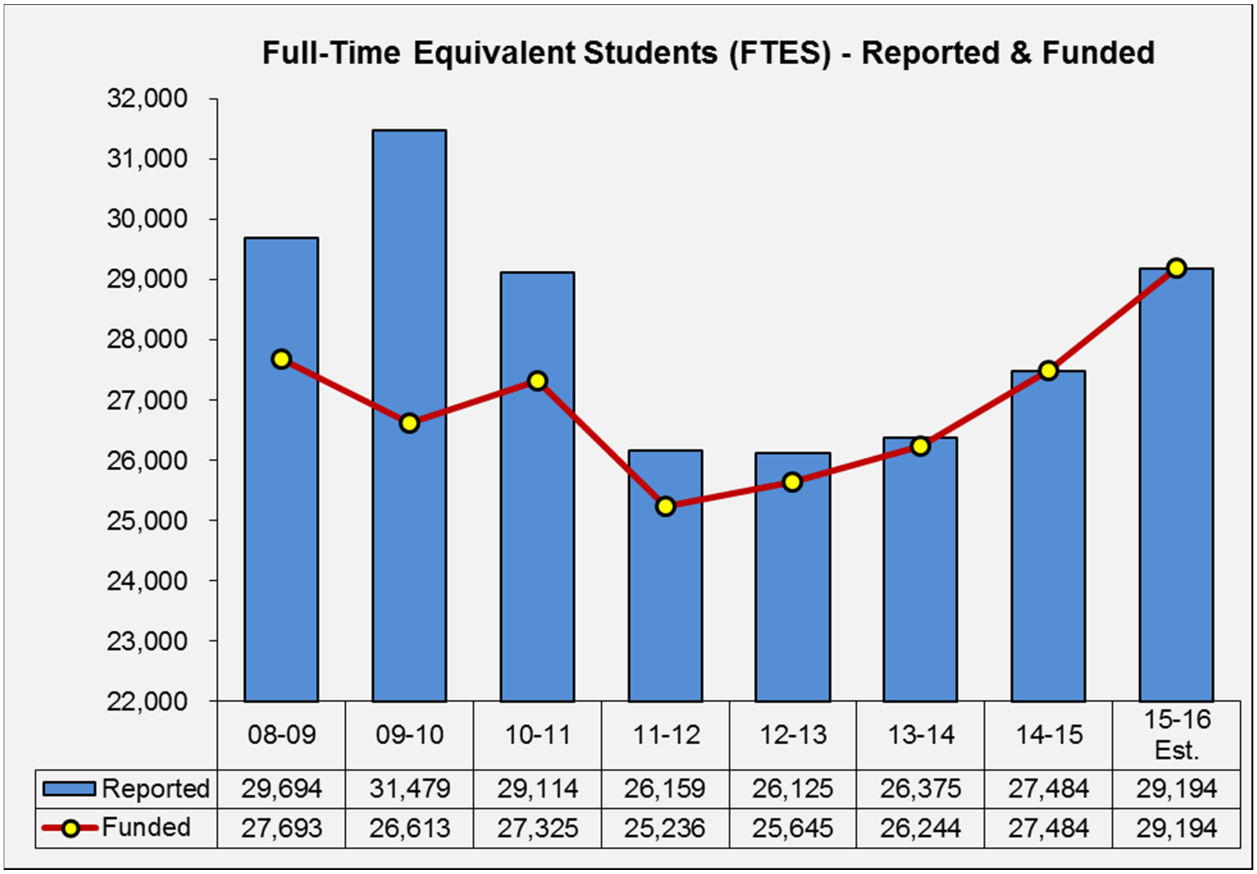
As required by the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments," and GASB Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges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

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 2015-16, the community college system received growth funding of approximately $154 million or a 3% increase in funded FTES over the previous year. Based on the CCFS-320 RECALC report, the District reported 29,194 resident FTES for the 2015-16 fiscal year and anticipates being fully funded for all reported FTES, representing nearly $8.3 million in growth funding. In addition to growth funding, the community college system received approximately $58 million (a 1.02% increase) for a cost of living adjustment (COLA) for 2015-16, which amounts to a little more than $1.4 million for the District.

Fiscal year 2015-16 was a banner year for the California Community College system. Not only did the system provide the on-going resources noted above in the form of growth funding and COLA, but the system office was able to provide a significant one-time allocation of $632 million for mandated costs/claims. State Center's share of this amount was approximately $15.5 million. Additionally, the Chancellor's Office provided an allocation of $62 million to increase the hiring of full-time faculty ($1.6 million - State Center), and a base funding increase of $287 million to address increased operational costs and pension costs, which provided $7.2 million for our district.

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



	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16 Est.
Reported	29,694	31,479	29,114	26,159	26,125	26,375	27,484	29,194
Funded	27,693	26,613	27,325	25,236	25,645	26,244	27,484	29,194

On June 7, 2016, State Center Community College District successfully passed a local general obligation bond for $485 million (Measure C). The bond funds will be used to acquired, upgrade, and/or repair the various facilities and equipment throughout the District. Major projects proposed for Fresno City College include math/science facility, improved parking, police and fire academies, and a West Fresno campus. Reedley College projects focus on a life science/math facility, an agriculture facility, and a center for fine and performing arts. The Clovis Community College proposed project would be geared toward career technology facilities. Madera Center looks to complete the Academic Village I and expand the center for advanced manufacturing. Oakhurst Center project proposal seeks to locate a new site with permanent facilities.

Fiscal year 2015-16 also brought about the recognition of the California Community College System's 113th college. State Center Community College District is currently known for having the oldest and newest colleges in the system, Fresno City College being the first (#1) and Clovis Community College being the last (#113).

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.

Highlights of the major changes include:

- Cash (including restricted cash) increased nearly $22.2 million, of which $9 million is dedicated to capital projects, state funded capital project match, and scheduled maintenance needs. Additionally, $7.5 million is being held in a county treasury trust fund to address the future STRS/PERS pension rate increases.
- Short-term receivables increased $5.8 million primarily related to a $3.3 million increase in student tuition/enrollment fees receivable, and $1.2 million is for state apportionment.
- The increase in capital assets of just over $9 million is offset by the increase in the accumulated depreciation expense of approximately $9 million.
- Deferred Outflows increased by $4.3 million as a result of the calculated values attributable to GASB 68 reporting requirements, see audit report footnotes 9 & 10.
- Accounts payable and current liabilities increased by $4.2 million related to increased year-end vendor activity.
- Unearned revenues increased by $4.1 million, $2.2 million related to state grant funds carrying over to the next fiscal year and $1.8 million in deferred tuition and enrollment fees. It is expected that during fiscal year 2016-17, these amount will become recognized revenues.
- Long-term liabilities increased and deferred inflows of resources decreased respectively, by $20 million as a result of the calculated values attributable to GASB 68 reporting requirements, see audit report footnotes 9 & 10.
- Lastly, the District's overall net financial position increased $23.5 million as of the fiscal year end, primarily as a result of the significant one-time state revenues being allocated toward 2016-17 scheduled maintenance projects, capital projects (including state match projects), and the significant future STRS/PERS pension rate increases scheduled through fiscal year 2020-21.

Statement of Net Position (Continued)

Condensed financial information is as follows:

	As of June 30th (in thousands)		
ASSETS:	**2016**	**2015**	% Change
CURRENT ASSETS			
Cash, Investments, and Short-Term Receivables	$ 93,831	$ 74,467	26.0%
Inventory and Prepaid Expenses	3,034	2,559	18.6%
TOTAL CURRENT ASSETS	$ 96,865	$ 77,026	25.8%
NON-CURRENT ASSETS			
Restricted Cash	$ 33,417	$ 24,730	35.1%
Net Plan Assets - OPEB	59	7	742.9%
Capital Assets, Net of Depreciation	290,054	289,408	0.2%
TOTAL NON-CURRENT ASSETS	$ 323,530	$ 314,145	3.0%
TOTAL ASSETS	$ 420,395	$ 391,171	7.5%
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflows of Resources - Pension	$ 14,514	$ 10,233	41.8%
Deferred Loss from Refunding of Debt	5,467	6,753	-19.0%
	$ 19,981	$ 16,986	17.6%
TOTAL ASSETS & DEFERRED OUTFLOWS	$ 440,376	$ 408,157	7.9%
LIABILITIES:			
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	$ 24,112	$ 19,505	23.6%
Unearned Revenue	20,502	16,436	24.7%
Amount Held in Trust on Behalf of Others	574	565	1.6%
Compensated Absences Payable	3,350	3,386	-1.1%
Long Term Liabilities	3,575	3,971	-10.0%
TOTAL CURRENT LIABILITIES	$ 52,113	$ 43,863	18.8%
NON-CURRENT LIABILITIES			
Long-Term Liabilities	$ 251,763	$ 231,573	8.7%
TOTAL LIABILITIES	$ 303,876	$ 275,436	10.3%
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of Resources - Pension	$ 14,807	$ 34,545	-57.1%
	$ 14,807	$ 34,545	-57.1%
NET POSITION:			
Net Investment in Capital Assets	$ 189,121	$ 185,933	1.7%
Restricted for Expendable Purposes	50,338	30,736	63.8%
Unrestricted	(117,766)	(118,493)	-0.6%
TOTAL NET POSITION	$ 121,693	$ 98,176	24.0%
TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION	$ 440,376	$ 408,157	7.9%

Statement of Revenues, Expenses, and Change in Net Position

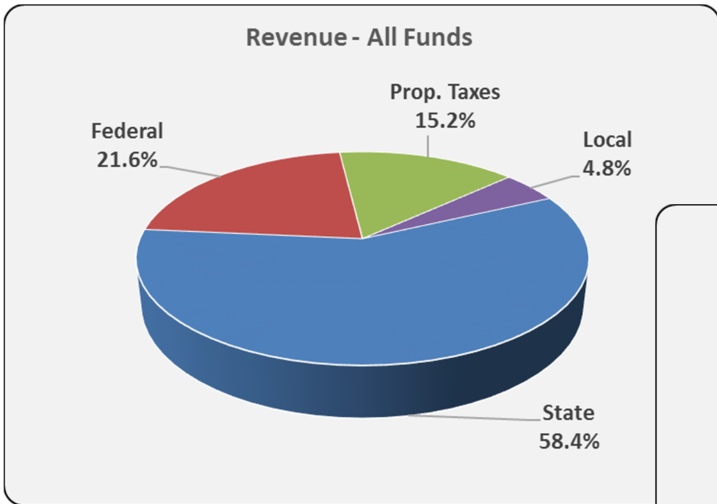
The Statement of Revenues, Expenses, and Change in Net Position presents the operating results of the District. The purpose of this statement is to present the operating and non-operating revenues earned (whether received or not) by the District, the operating and non-operating expenses incurred (whether paid or not) by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District. 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. State general apportionment funds, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

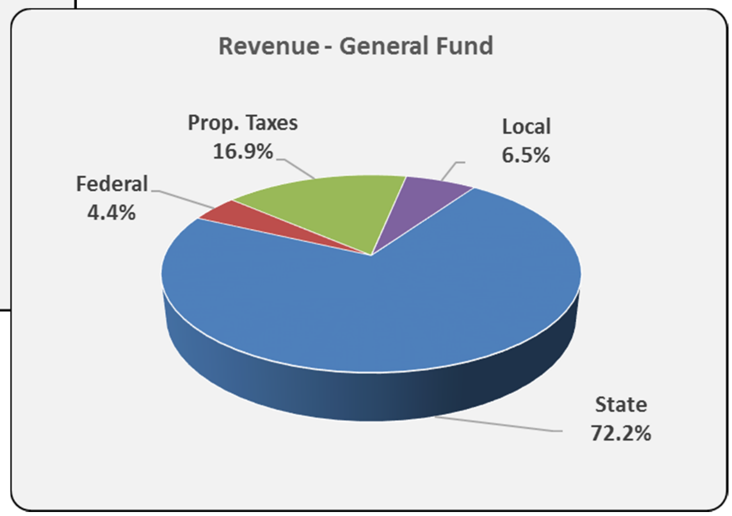
Condensed financial information is as follows:

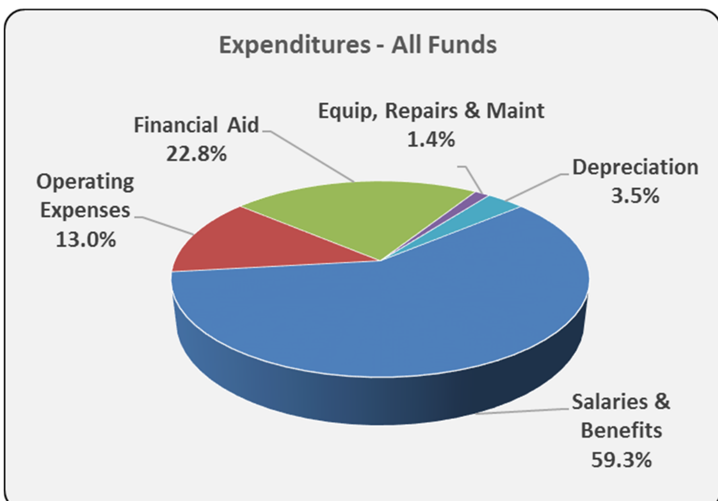
	For the years Ended June 30th (in thousands)				
		2016		**2015**	% Change
OPERATING REVENUES					
Tuition & Fees	$	12,345	$	11,541	7.0%
Grants & Contracts, Non-Capital		57,414		40,958	40.2%
Auxillary Enterprises & Other Operating Revenues		5,203		5,094	2.1%
TOTAL OPERATING REVENUES	$	74,962	$	57,593	30.2%
OPERATING EXPENDITURES					
Salaries and Benefits	$	171,242	$	158,696	7.9%
Supplies, Maintenance & Other Operating Expenses		41,608		28,979	43.6%
Financial Aid		65,920		63,348	4.1%
Depreciation		9,958		9,295	7.1%
TOTAL OPERATING EXPENDITURES	$	288,728	$	260,318	10.9%
OPERATING (LOSS)	$	(213,766)	$	(202,725)	5.4%
NON-OPERATING REVENUES (EXPENSES)					
State Apportionment	$	112,849	$	97,813	15.4%
Property Taxes		47,196		43,509	8.5%
State Revenues		26,524		10,405	154.9%
Pell Grant		53,430		53,740	-0.6%
Net Interest Income / (Expense)		(4,322)		(4,572)	-5.5%
Other Non-Operating Revenue		25		(14)	-278.6%
TOTAL NON-OPERATING REVENUES (EXPENSES)	$	235,702	$	200,881	17.3%
(LOSS) / INCOME BEFORE OTHER REV AND EXP	$	21,936	$	(1,844)	-1289.6%
CAPITAL REVENUE					
Federal, State and Local Capital Income	$	1,580	$	1,337	18.2%
(DECREASE) / INCREASE IN NET POSITION	$	23,516	$	(507)	-4738.3%
NET POSITION, BEGINNING	$	98,177	$	246,864	-60.2%
Cummulative effect of GASB 68 Implementation		-		(148,180)	-100.0%
NET POSITION, ENDING	$	121,693	$	98,177	24.0%

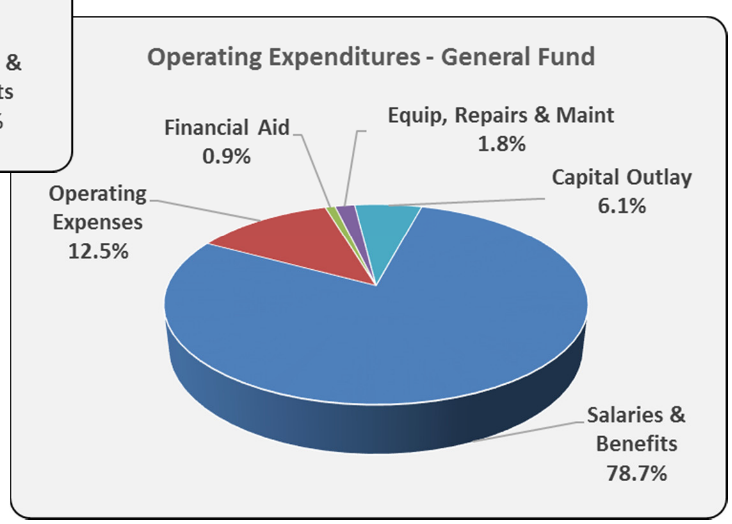
Statement of Revenues, Expenses, and Change in Net Position (Continued)

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 graphs depict the District's major revenue sources and expenditures for all funds and for the general fund (unrestricted and restricted) stand-alone.









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

Highlights of the major changes include:

- Grant program activity increased over $16.4 million from the prior year. Significant increases in funding include:
  - SSSP/Student Equity $6.3 million
  - EOP&S $1.0 million
  - Adult Education Consortium $4.1 million
  - CTE Enhancements $3.3 million
  - Full-Time Student Incentive Grant $1.5 million

- Salary and benefits expenditures increased by $12.5 million due to the effects of a 2% off-schedule bonus payment, cost of living adjustment (COLA) increase of 1.02%, step and column increases, and significant increases in faculty and classified staff to support enrollment growth and student service programs and grants.

- Supplies, maintenance, and other operating expenditures increased by $12.6 million. The most significant cost increase is for contracted services, increasing $7.2 million over the prior year. This increase is directly related to the Adult Education Consortium funding, in which our District is the fiscal agent for all regional partners, passing through nearly $4.3 million. The District is also the fiscal agent for the CTE Enhancement grant in which $2.7 million was passed through to our partners. Other expenditure increases were noted in utilities, repairs and maintenance, and travel and conference.

- Financial aid expenditures increased $2.6 million, due to additional financial aid resources and approximately $1.7 million for the new full-time student incentive grant program.

- State apportionment and property taxes increased approximately $18.7 million as a result of a significant infusion of growth, full-time faculty, and base funding, along with a state COLA augmentation. Of this amount, $15 million is attributable to apportionment revenue, while property taxes grew by $3.7 million due to improving assessed valuations.

- Additionally, non-operating state revenues increased by $16.1 million primarily due to the one-time state mandated claim revenue windfall.

- Lastly, the Statement of Revenues, Expenses and Change in Net Position saw an overall increase in net position of approximately $23.5 million as a result of the significant inflow of on-going and one-time revenues from the state. Much of this increase was allocated toward 2016-17 scheduled maintenance projects, capital projects (including state match projects), and funding the future STRS/PERS pension rate increases scheduled through fiscal year 2020-21.

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)	
	2016	2015
Cash provided by (used in)		
Operating activities	$ (200,410)	$ (184,667)
Non-capital financing activities	238,137	230,550
Capital financing activities	(16,237)	(16,370)
Investing activities	739	613
Net increase/(decrease) in cash	$ 22,229	$ 30,126
Cash, Beginning of Year	$ 86,771	$ 56,645
Cash, End of Year	$ 109,000	$ 86,771

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 with a significant increase of revenues for fiscal year 2015-16. The increase in revenues was comprised of very needed on-going resources, along with a healthy infusion of one-time funding. It is anticipated 2016-17 revenues will be good, but not at the same levels seen in 2015-16, while funding beyond 2016-17 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 30/55

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. Proposition 30's sales tax increase will expire at calendar year-end 2016 and the personal income tax hikes expire December 31, 2018. In November 2016, the voters passed Proposition 55, a proposition that will extend the personal income tax hikes on some of California's wealthiest residents for an additional 12 years beyond the Proposition 30 sunset date. This revenue source will help the State continue to provide the needed resources for education and healthcare. However, we must still continue to pay attention to the economic health of the State and be on guard for future economic declines.

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 2016, 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.

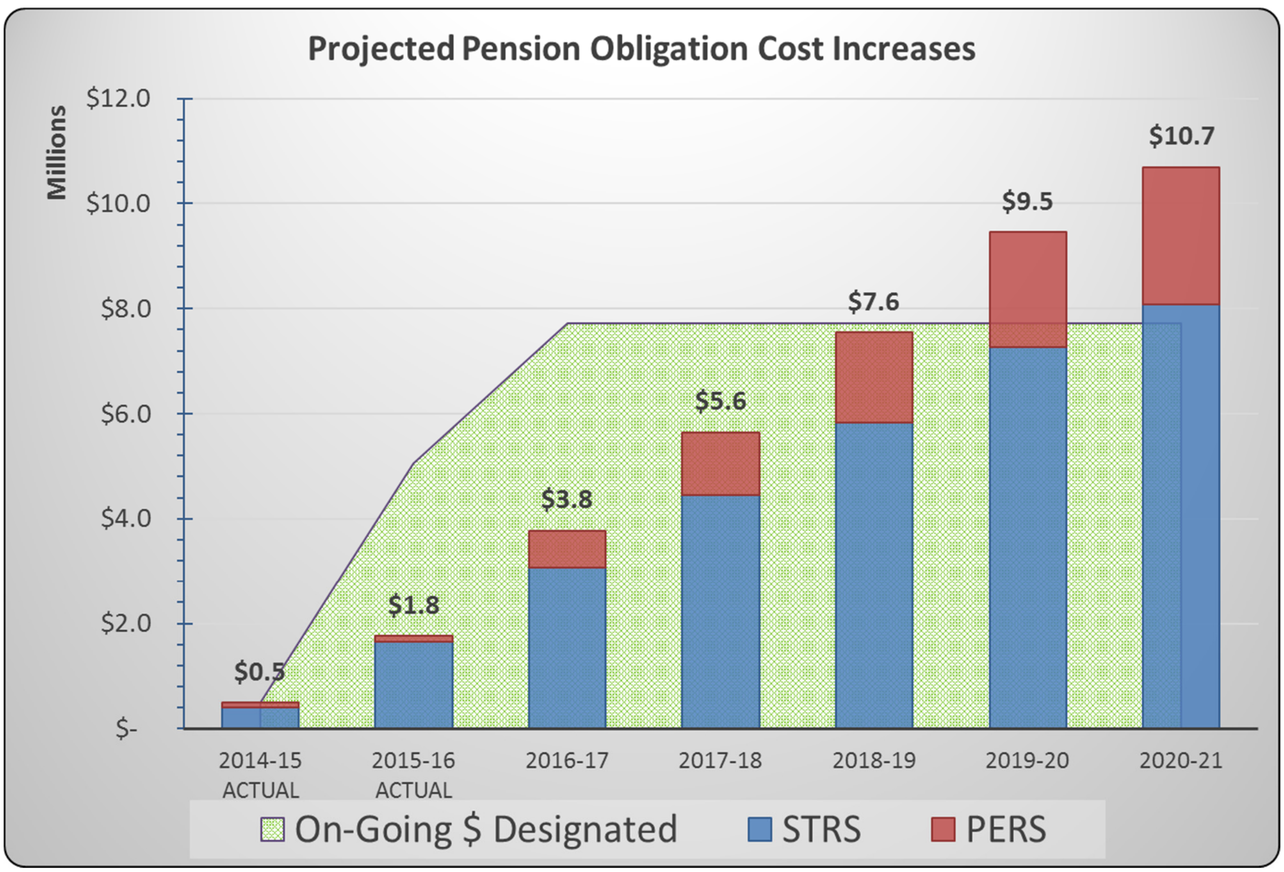
In addition, the Affordable Care Act (ACA) continues to unveil itself, and the full financial impact is still to be determined; however, it is most likely that health benefit related costs will increase. While the ACA attempts to provide the citizenry with affordable health insurance, which appears to be proving out to be a difficult task, it also places many new and seemingly ever-changing regulations and commitments on employers. Most recently, with the changes in the political environment as a result of the November 2016 election; we will need to wait and see what, if any, changes develop within the national health care policies and plans.

Pension Liability

One of the most significant financial concerns facing the California educational system is the unfunded liability of the two major pension systems: California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS). The CalPERS system has been adjusting their employer contribution rates over the years and has approved a seven-year rate increase plan to address the programs unfunded liabilities. For 2016-17, the employer contribution rate rises to 13.888%. 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 CalSTRS employer contribution rate for 2016-17 increases to 12.58%. The table following shows the historical and proposed future employer contribution rate for the two pension plans:

	Employer Contribution Rate		
	CalSTRS	CalPERS	
2013-14	8.250%	11.442%	Actual
2014-15	8.880%	11.771%	Actual
2015-16	10.730%	11.847%	Actual
2016-17	12.580%	13.888%	Actual
2017-18	14.430%	15.500%	Proposed
2018-19	16.280%	17.100%	Proposed
2019-20	18.130%	18.600%	Proposed
2020-21	19.100%	19.800%	Proposed

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 2016-17 state budget did provide some additional discretionary base funding to address operational cost increases. The State Chancellor's Office strongly encourages districts to consider designating some of these resources for the future pension cost increases. At the September 2016 board meeting, district administration recommended and the Board approved the continued funding/setting aside $3.0 million of on-going resources established in fiscal year 2015-16 and increased the amount by an additional $0.75 million to address the District's anticipated future pension costs increases. The following table reflects the District's anticipated pension cost increases over the next several years, along with the level of on-going funding committed toward funding these future pension cost increases:



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 we strategically manage our financial resources to meet the needs of the District.

STATE CENTER COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

ASSETS	
Current assets:	
Cash and cash equivalents	$ 75,582,744
Investments	2,175
Receivables, net	18,245,759
Prepaid expenses	632,091
Stores inventories	2,402,185
Total current assets	96,864,954
Noncurrent assets:	
Restricted cash and cash equivalents	33,417,241
OPEB asset	58,865
Non-depreciable capital assets	36,557,481
Depreciable capital assets, net	253,496,206
Total noncurrent assets	323,529,793
Total assets	420,394,747
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions	14,514,254
Deferred loss from refunding of long-term liabilities	5,466,971
Total deferred outflows of resources	19,981,225
Total assets and deferred outflows of resources	$ 440,375,972
LIABILITIES	
Current liabilities:	
Accounts payable	$ 24,111,521
Unearned revenue	20,501,777
Due to fiduciary funds	574,140
Compensated absences payable	3,350,167
Long-term liabilities - current portion	3,575,293
Total current liabilities	52,112,898
Noncurrent liabilities:	
Long-term liabilities - noncurrent portion	251,762,690
Total liabilities	303,875,588
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	14,807,000
NET POSITION	
Net investment in capital assets	189,120,829
Restricted for:	
Capital projects and debt service	34,836,992
Educational programs	2,116,757
Self insurance	13,024,097
Other activities	360,646
Unrestricted	(117,765,937)
Total net position	121,693,384
Total liabilities, deferred inflows of resources and net position	$ 440,375,972

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, 2016

Operating revenues:	
Tuition and fees	$ 39,842,225
Less: scholarship discounts and allowances	(27,497,385)
Net tuition and fees	12,344,840
Grants and contracts, non-capital:	
Federal	13,638,038
State	42,024,067
Local	1,751,599
Auxiliary enterprise sales and charges:	
Bookstore	2,195,304
Cafeteria	1,018,892
Other operating local revenues	1,988,892
Total operating revenues	74,961,632
Operating expenses:	
Salaries	128,352,875
Employee benefits	42,889,033
Supplies, materials, and other operating expenses and services	37,597,367
Equipment, maintenance and repairs	4,011,113
Student aid	65,919,602
Depreciation	9,957,952
Total operating expenses	288,727,942
Loss from operations	(213,766,310)
Non-operating revenues (expenses):	
State apportionment, non-capital	112,848,906
Local property taxes	47,195,742
State taxes and other revenues	26,524,450
Pell grants	53,430,556
Investment income, net	749,720
Interest expense on capital asset-related debt, net	(5,071,902)
Other nonoperating revenues (expenses)	25,040
Total non-operating revenues (expenses)	235,702,512
Income before capital revenues	21,936,202
Capital revenues:	
State property taxes and revenues	803,256
Local property taxes and revenues	777,226
Total capital revenues	1,580,482
Change in net position	23,516,684
Net position, July 1, 2015	98,176,700
Net position, June 30, 2016	$ 121,693,384

See accompanying notes to financial statements.

Cash flows from operating activities:	
Tuition and fees	$ 10,872,829
Grants and contracts	56,941,936
Other local revenue	1,988,892
Payments of scholarships and grants	(65,919,602)
Payments to suppliers and vendors	(35,681,442)
Payments to and on behalf of employees	(171,719,854)
Auxiliary enterprises sales and charges	3,107,615
Net cash used in operating activities	(200,409,626)
Cash flows from noncapital financing activities:	
State appropriations	111,617,137
Local property taxes	47,195,742
State taxes and other revenues	25,346,950
Pell grants	53,430,556
Other receipts	546,346
Net cash provided by noncapital financing activities	238,136,731
Cash flows from capital and related financing activities:	
State apportionments for capital purposes	803,256
Capital grants received	777,226
Purchase of capital assets	(10,622,887)
Principal paid on capital debt	(3,220,000)
Interest paid on capital debt, net	(3,975,156)
Net cash used in capital and related financing activities	(16,237,561)
Cash flows from investing activities:	
Investment income	739,302
Change in cash and cash equivalents	22,228,846
Cash and cash equivalents, July 1, 2015	86,771,139
Cash and cash equivalents, June 30, 2016	$ 108,999,985

(Continued)

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (213,766,310)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	9,957,952
Changes in assets and liabilities:	
Receivables, net	(3,895,806)
Prepaid expenses	(380,227)
Inventories	(94,943)
Deferred outflows of resources - pensions	(4,280,711)
Accounts payable and accrued liabilities	4,181,647
Unearned revenue	4,066,007
Other postemployment benefits, long-term disability liability and compensated absences	(201,235)
Net pension liability	23,742,000
Deferred inflows of resources - pensions	(19,738,000)
Net cash used in operating activities	$ (200,409,626)
Supplemental disclosure of non-cash transactions:	
Amortization of debt premiums	$ 614,467
Amortization of deferred loss on refunding	$ 1,286,115

See accompanying notes to financial statements.

STATE CENTER COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	Student Trust Funds	OPEB Irrevocable Trust Fund	Student Agency Funds
ASSETS			
Cash and cash equivalents	$ 800	$ 304,716	$ 574,574
Investments:			
Mutual funds - equities	-	7,706,115	-
Mutual funds - fixed income	-	5,624,095	-
Receivables, net	1,199	1,026	153
Due from other funds	303,298	-	270,842
Total assets	$ 305,297	$ 13,635,952	$ 845,569
LIABILITIES			
Accounts payable	$ 5,498	$ -	$ 97,154
Unearned revenue	11,501	-	-
Due to student groups	-	-	748,415
Total liabilities	16,999	-	$ 845,569
NET POSITION			
Total net position restricted for students	288,298	-	
Total net position restricted for OPEB	-	13,635,952	
Total net position held in trust	288,298	13,635,952	
Total liabilities and net position	$ 305,297	$ 13,635,952	

See accompanying notes to financial statements.

STATE CENTER COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2016

	Student Trust Funds	OPEB Irrevocable Trust Fund
Additions:		
Net investment income (loss), net:		
Net depreciation in the fair value of plan investments	$ -	$ (248,722)
Dividends and interest	6	324,452
Investment expenses	-	(88,455)
Total net investment income (loss)	6	(12,725)
Employer contributions	-	2,157,283
Student fees	16,898	-
Other operating revenue	77,319	-
Other non-operating revenue	168,624	-
Total additions	262,847	2,144,558
Deductions:		
Healthcare premiums	-	1,257,283
Supplies, materials and other operating costs	87,204	-
Equipment, maintenance and repairs	1,203	-
Student aid	166,830	-
Total deductions	255,237	1,257,283
Net increase	7,610	887,275
Net position held in trust:		
Net position, July 1, 2015	280,688	12,748,677
Net position, June 30, 2016	$ 288,298	$ 13,635,952

See accompanying notes to financial statements.

NOTE 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.

Restricted Cash and Cash Equivalents: Cash that is externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, is classified as noncurrent assets in the statement of net position.

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

Receivables: Receivables consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Receivables also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. The allowance is based upon management's estimates and analysis. The allowance was estimated at $5,151,605 for the year ended June 30, 2016.

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets are recorded at cost at the date of acquisition or, if donated, at acquisition 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 $5,071,902 and $69,434, respectively, for the year ended June 30, 2016.

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

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

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

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District 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. Amortization for the year ended June 30, 2016 totaled $1,286,115. Additionally, the District has recognized a deferred outflow of resources related to the payments made subsequent to the measurement date for the pensions. Amortization for the year ended June 30, 2016 totaled $818,000.

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. Amortization for the year ended June 30, 2016 totaled $6,134,000.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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	$ 7,941,453	$ 6,572,801	$ 14,514,254
Deferred inflows of resources	$ 10,318,000	$ 4,489,000	$ 14,807,000
Net pension liability	$ 105,048,000	$ 43,009,000	$ 148,057,000
Pension expense	$ 11,867,379	$ 953,411	$ 12,820,790

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.

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, 2016, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenue and Expenses: The District has classified its revenues and expenses as either operating or nonoperating revenues and expenses. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. Co5.101 including State appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

Operating revenues and expenses: Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, and (3) most Federal, State and local grants and contracts and Federal appropriations. All expenses are considered operating expenses except for interest expense on capital related debt and loss on disposal of capital assets.

Nonoperating revenues and expenses: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as Pell grants, gifts and contributions, and other revenue sources described in GASB Cod. Sec. Co5.101, such as State appropriations and investment income. Interest expense on capital related debt and the loss on disposal of capital assets is the only nonoperating expense.

Scholarship Discounts and Allowances: Student tuition and fee revenue are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Change in Net Position. Scholarship discounts and allowances represent the difference between stated charges for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

New Accounting Pronouncements: In February, the GASB issued GASB Statement No. 72, Fair Value Measurement and Application. This Statement enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also enhances fair value application guidance and related disclosures in order to provide information to financial statements users about the impact of fair value measurements on a government’s financial position.

(Continued)

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 2016, consisted of the following:

	District	Fiduciary
Pooled Funds:		
Cash in County Treasury	$ 69,184,383	$ 100,547
Deposits:		
Cash on hand and in banks	6,398,361	474,827
Cash held by Fiscal Agent	33,417,241	304,716
Investment at Cost	-	-
Total cash and cash equivalents	108,999,985	880,090
Less: restricted cash and cash equivalents		
Cash held by Fiscal Agent	33,417,241	-
Total restricted cash and cash equivalents	33,417,241	-
Net cash and cash equivalents	$ 75,582,744	$ 880,090

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 District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

District investments at June 30, 2016 consisted of the following:

Mutual funds	$ 2,175

Investments held within the OPEB trust fund at June 30, 2016 consisted of the following:

Mutual funds - equities	$ 7,706,115
Mutual funds - fixed income	5,624,095
Total investments	$ 13,330,210

Cash with Fiscal Agent: The District's Cash with Fiscal Agent of $33,417,241 is held by trustees for the improvement of campus facilities. Funds are held in the County Treasury. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. In addition, fiduciary cash with fiscal agent totaled $304,716 for future retiree benefit costs

(Continued)

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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, 2016, the carrying amount of the District and Fiduciary's accounts was $6,873,188, and the bank balances were $8,145,761, of which $7,202,353 was uninsured but collateralized.

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

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

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, 2016, 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, 2016, the District had no concentration of credit risk.

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments: The following methods and assumptions were used by the District to estimate the fair value of its financial instruments at June 30, 2016.

Fair Value Hierarchy: Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets Recorded at Fair Value: The following table presents information about the District's assets measured at fair value on a recurring basis as of June 30, 2016:

The following table presents information about the OPEB Trust's assets measured at fair value on a recurring basis as of June 30, 2016:

	Total	Level 1	Level 2	Level 3
Investments:				
Mutual funds - equities	$ 7,706,115	$ 7,706,115	$ -	$ -
Mutual funds - fixed income	5,624,095	5,624,095	-	-
Total	$ 13,330,210	$ 13,330,210	$ -	$ -

Mutual funds, valued at closing prices from securities exchanges are classified as Level 1 investments.

During the year ended June 30, 2016, there were no significant transfers in or out of Level 1.

There were no assets or liabilities measured at fair value on a non-recurring basis at June 30, 2016. As of June 30, 2016, the carrying amounts of cash and cash equivalents, receivables and accounts payable approximate fair value because of the relatively short maturities of these financial instruments.

(Continued)

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016 are summarized as follows:

	District	Fiduciary
Federal	$ 3,575,485	$ -
State	6,739,025	-
Local and other	13,082,854	15,503
	23,397,364	15,503
Less allowance for doubtful accounts	(5,151,605)	(13,125)
	$ 18,245,759	$ 2,378

NOTE 5 - CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2015	Additions and Transfers	Deductions	Balance June 30, 2016
Non-depreciable:				
Land	$ 31,646,516	$ -	$ -	$ 31,646,516
Construction in progress	3,592,191	1,318,774	-	4,910,965
Depreciable:				
Land improvements	28,441,485	1,109,537	-	29,551,022
Buildings and improvements	301,714,271	2,546,279	-	304,260,550
Furniture and equipment	20,450,230	5,482,372	(1,296,977)	24,635,625
Vehicles	2,090,059	165,925	(145,809)	2,110,175
Total	387,934,752	10,622,887	(1,442,786)	397,114,853
Less accumulated depreciation:				
Land improvements	7,208,150	1,289,863	-	8,498,013
Buildings and improvements	79,239,892	6,537,466	-	85,777,358
Furniture and equipment	10,431,098	2,034,847	(1,278,172)	11,187,773
Vehicles	1,647,594	95,776	(145,348)	1,598,022
Total	98,526,734	9,957,952	(1,423,520)	107,061,166
Capital assets, net	$ 289,408,018	$ 664,935	$ (19,266)	$ 290,053,687

NOTE 6 - UNEARNED REVENUE

Unearned revenue at June 30, 2016 consisted of the following:

	District	Fiduciary
Unearned Federal and State revenue	$ 11,523,463	$ -
Unearned tuition and student fees	8,413,116	-
Unearned local grant revenue and other	565,198	11,501
Total unearned revenue	$ 20,501,777	$ 11,501

NOTE 7 - LONG-TERM LIABILITIES

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, 2016, $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, 2016, the principal outstanding was $2,445,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2007A outstanding as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	1,125,000	76,950	1,201,950
2018	1,320,000	27,225	1,347,225
	$ 2,445,000	$ 104,175	$ 2,549,175

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, 2016, $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, 2016, the principal outstanding was $1,595,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2009A outstanding as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
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
	$ 1,595,000	$ 159,893	$ 1,754,893

(Continued)

NOTE 7 - LONG-TERM LIABILITIES (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, 2016, the principal outstanding was $10,000,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2009B outstanding as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ -	$ 800,000	$ 800,000
2018	-	800,000	800,000
2019	-	800,000	800,000
2020	-	800,000	800,000
2021	-	800,000	800,000
2022-2026	-	4,000,000	4,000,000
2027-2031	5,555,000	2,954,600	8,509,600
2032-2034	4,445,000	549,800	4,994,800
	$ 10,000,000	$ 11,504,400	$ 21,504,400

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 2012 Refunding Bonds. At June 30, 2016, $10,222,000 of Series 2003A bonds and $12,785,000 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, 2016, the principal outstanding was $21,685,000 and unamortized premium was $3,031,288. 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, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	841,688	2,336,688
2021	1,550,000	776,500	2,326,500
2022-2026	8,980,000	2,610,000	11,590,000
2027-2029	5,500,000	389,288	5,889,288
	$ 21,685,000	$ 7,469,201	$ 29,154,201

(Continued)

NOTE 7 - LONG-TERM LIABILITIES (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 2015 Refunding Bonds. At June 30, 2016, \$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, 2016, the principal outstanding was \$56,275,000 and unamortized premium was \$11,368,559. 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 2015 General Obligation Refunding Bonds outstanding as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	2,215,000	2,675,500	4,890,500
2022-2026	16,225,000	11,387,000	27,612,000
2027-2031	27,350,000	6,555,000	33,905,000
2032	7,720,000	386,000	8,106,000
	$ 56,275,000	$ 32,096,900	$ 88,371,900

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, 2016, 9 employees were eligible to receive payments under the program and the liability totaled \$881,136.

Changes in Long-Term Debt: A schedule of changes in long-term debt for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Amounts Due Within One Year
General Obligation Bonds	$ 95,220,000	$ -	$ 3,220,000	$ 92,000,000	$ 2,805,000
Premium on General Obligation Bonds	15,014,314	-	614,467	14,399,847	645,905
Net pension liability (Notes 9 and 10)	124,315,000	23,742,000	-	148,057,000	-
Other postemployment benefits (Note 11)	(7,093)	-	51,772	(58,865)	-
Long-Term Disability Liability	994,339	-	113,203	881,136	124,388
Compensated absences	3,386,427	-	36,260	3,350,167	3,350,167
	$ 238,922,987	$ 23,742,000	$ 4,035,702	$ 258,629,285	$ 6,925,460

(Continued)

NOTE 8 - 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.

NOTE 9 - 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.

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.

(Continued)

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

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.

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 9.20 percent of applicable member earnings for fiscal year 2015-16. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.56 percent of applicable member earnings for fiscal year 2015-16.

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 – 10.73 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.

(Continued)

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2015-16 through fiscal year 2045-46 are summarized in the table below:

Effective Date	Prior Rate	Increase	Total
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	

The District contributed $7,941,453 to the plan for the fiscal year ended June 30, 2016.

State – 7.391 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.

(Continued)

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

The CalSTRS state contribution rates effective for fiscal year 2015-16 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, 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%	4.517%*

* 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.

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

At June 30, 2016, 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	$ 105,048,000
State's proportionate share of the net pension liability associated with the District	55,559,000
Total	$ 160,607,000

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. 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 and the State. At June 30, 2015, the District's proportion was 0.156 percent, which was an increase of 0.004 percent from its proportion measured as of June 30, 2014.

(Continued)

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

For the year ended June 30, 2016, the District recognized pension expense of $11,867,379 and revenue of $5,436,247 for support provided by the State. At June 30, 2016, 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	$ -	$ 1,755,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	8,563,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	7,941,453	-
Total	$ 7,941,453	$ 10,318,000

$7,941,453 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	$ (3,836,000)
2018	$ (3,836,000)
2019	$ (3,836,000)
2020	$ 1,777,000
2021	$ (292,000)
2022	$ (295,000)

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, 2015. 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.

(Continued)

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
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.

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

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

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.

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	$158,615,000	$105,048,000	$ 60,530,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 10 - 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-2015.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.

NOTE 10 - NET PENSION LIABILITY – 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, 2016 were as follows:

Members – The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2015-16.

Employers – The employer contribution rate was 11.847 percent of applicable member earnings.

The District contributed $4,114,801 to the plan for the fiscal year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of $43,009,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. 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, 2015, the District's proportion was 0.292 percent, which was a decrease of 0.019 percent from its proportion measured as of June 30, 2014.

(Continued)

NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

For the year ended June 30, 2016, the District recognized pension expense of $953,411. At June 30, 2016, 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	$ 2,458,000	$ -
Changes of assumptions	-	2,643,000
Net differences between projected and actual earnings on investments	-	1,473,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	373,000
Contributions made subsequent to measurement date	4,114,801	-
Total	$ 6,572,801	$ 4,489,000

$4,114,801 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	$ (523,167)
2018	$ (523,167)
2019	$ (523,166)
2020	$ (461,500)

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 4 years as of the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investment are netted and amortized over a closed 5-year period.

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.65%
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

NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (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, 2014 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	51%	5.25%
Global Fixed Income	19%	0.99%
Inflation Insensitive	6%	0.45%
Private Equity	10%	6.83%
Real Estate	10%	4.50%
Infrastructure & Forestland	2%	4.50%
Liquidity	2%	(0.55)%

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.65 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.

The discount rate was 7.50 percent in 2015 and 7.65 percent in 2016.

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.

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.

(Continued)

NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (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 7.65 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 (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	$ 70,001,000	$ 43,009,000	$ 20,564,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Notes 9 and 10, 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.

(Continued)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the District's net OPEB obligation:

Annual required contribution	$ 2,105,416
Interest on net OPEB asset	(355)
Adjustment to annual required contribution	450
Annual OPEB cost	2,105,511
Contributions made	(2,157,283)
Increase in net OPEB asset	(51,772)
Net OPEB asset - beginning of year	(7,093)
Net OPEB asset - end of year	$ (58,865)

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, 2016 and preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
June 30, 2014	$ 2,029,665	262.1%	$ (59,458)
June 30, 2015	$ 2,106,218	97.5%	$ (7,093)
June 30, 2016	$ 2,105,511	102.46%	$ (58,865)

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.

(Continued)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, included as Required Supplementary Information following this section, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 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, 2016, was 21 years.

NOTE 12 - 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, 2016, the District has approximately $5.3 million in outstanding commitments on construction contracts.

NOTE 13 - 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.

(Continued)

NOTE 13 - JOINT POWERS AGREEMENTS (Continued)

The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including the selection of management and approval of operating budgets, independent of any influence by the member district beyond their representation on the governing board. VIP provides property, liability and workers' compensation insurance and FASBO provides employee medical, dental and vision benefits. State Center Community College District pays a premium commensurate with the level of coverage requested.

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

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

	VIP June 30, 2015	FASBO Sept. 30, 2015
Total assets	$ 21,414,561	$ 5,334,141
Total liabilities	$ 4,872,322	$ 3,726,820
Net position	$ 16,542,239	$ 1,607,321
Total revenues	$ 5,826,193	$ 22,005,541
Total expenses	$ 4,485,858	$ 23,425,862
Change in net position	$ 1,340,335	$ (1,420,321)

NOTE 14 - 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, 2016.

Functional Classifications	Salaries	Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Equipment Maintenance and Repairs	Financial Aid	Depreciation	Total
Instruction	$ 63,954,029	$ 19,396,480	$ 3,447,558	$ 662,288	$ 77,811	$ -	$ 87,538,166
Academic Support	15,972,821	4,864,594	1,827,742	1,306,941	42,220	-	24,014,318
Student Services	25,900,384	7,444,763	3,899,268	489,161	1,844,906	-	39,578,482
Operations and Maintenance of Plant	5,214,653	2,375,789	7,736,886	262,712	-	-	15,590,040
Institutional Support Services	12,706,065	7,246,375	9,504,453	1,200,570	-	-	30,657,463
Community Services & Economic Development	1,128,219	327,468	7,144,771	2,101	17,710	-	8,620,269
Ancillary Services & Auxiliary Operations	3,476,704	1,233,564	4,036,689	87,340	-	10,980	8,845,277
Student Aid	-	-	-	-	63,936,955	-	63,936,955
Depreciation	-	-	-	-	-	9,946,972	9,946,972
	$ 128,352,875	$ 42,889,033	$ 37,597,367	$ 4,011,113	$ 65,919,602	$ 9,957,952	$ 288,727,942

REQUIRED SUPPLEMENTARY INFORMATION

STATE CENTER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
For the Year Ended June 30, 2016

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	17.64%	$ 80,961,508	32.46%
July 1, 2008	$ 5,579,224	$ 31,882,317	$ 26,303,093	17.5%	$ 83,646,615	31.45%
July 1, 2010	$ 6,051,686	$ 22,482,531	$ 16,430,845	26.92%	$ 83,936,757	19.58%
July 1, 2012	$ 6,846,425	$ 23,802,089	$ 16,955,664	28.76%	$ 81,229,219	20.87%
July 1, 2014	$ 12,046,274	$ 27,620,493	$ 15,574,219	43.61%	$ 85,246,695	18.27%

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%
June 30, 2016	$ 2,105,416	$ 2,157,283	102%

STATE CENTER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2016

State Teacher's Retirement Plan
Last 10 Fiscal Years

	2015	2016
District's proportion of the net pension liability	0.152%	0.156%
District's proportionate share of the net pension liability	$ 89,044,000	$105,048,000
State's proportionate share of the net pension liability associated with the District	53,769,000	55,559,000
Total net pension liability	$142,813,000	$160,607,000
District's covered-employee payroll	$ 67,869,000	$ 72,423,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.20%	145.05%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%

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)

Public Employers Retirement Fund B
Last 10 Fiscal Years

	2015	2016
District's proportion of the net pension liability	0.311%	0.292%
District's proportionate share of the net pension liability	$ 35,271,000	$ 43,009,000
District's covered-employee payroll	$ 32,615,000	$ 32,303,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	108.14%	133.14%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%

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 Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016
Contractually required contribution	$ 6,431,132	$ 7,941,453
Contributions in relation to the contractually required contribution	$ 6,431,132	$ 7,941,453
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 72,423,000	$ 74,012,000
Contributions as a percentage of covered-employee payroll	8.88%	10.73%

All years prior to 2015 are not available.

(Continued)

Public Employers Retirement Fund B
Last 10 Fiscal Years

	2015	2016
Contractually required contribution	$ 3,802,411	$ 4,114,801
Contributions in relation to the contractually required contribution	$ 3,804,411	$ 4,114,801
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 32,303,000	$ 34,733,000
Contributions as a percentage of covered-employee payroll	11.77%	11.85%

All years prior to 2015 are not available.

NOTE 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

The discount rate for Public Employer's Retirement Fund B was 7.50 percent in 2015 and 7.65 in 2016. There are no changes in assumptions reported for the State Teachers' Retirement Plan.

SUPPLEMENTARY INFORMATION

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 three colleges, Fresno City College, Clovis College, and Reedley College as well as two community college centers, Madera Center and Career Technology Center. The District's three 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, 2016 were composed of the following members:

BOARD OF TRUSTEES

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

DISTRICT ADMINISTRATION

Dr. Paul Parnell
Chancellor

Ms. Cheryl Sullivan
Interim President - Fresno City College

Dr. Sandra Caldwell
President - Reedley College

Ms. Deborah J. Ikeda
President- Clovis Community College

Mr. Edwin Eng
Vice Chancellor - Finance and Administration

Dr. Barbara Hioco
Interim Vice Chancellor - Educational Services and Institutional Effectiveness

Ms. Diane Clerou
Vice Chancellor - Human Resources

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Program (FSEOG)	84.007	-	$ 1,133,480
Federal Work Study (FWS)	84.033	-	933,735
Federal Pell Grants (PELL)	84.063	-	53,430,556
Financial Aid Admin Allowance	84.063	-	162,647
Federal Direct Student Loans	84.268	-	1,593,059
Subtotal Financial Aid Cluster			57,253,477
TRIO Cluster:			
Student Support Services	84.042A	-	1,192,526
Upward Bound	84.047A	-	1,203,013
Upward Bound - Math and Science	84.047M	-	748,516
Subtotal TRIO Cluster			3,144,055
Higher Education Institutional Aid Program:			
Higher Education Institutional Aid - Science, Technology, Engineering, Math Improvement Projects	84.031C	-	1,077,832
Higher Education Institutional Aid, Title V - COOP	84.031S	-	897,163
Subtotal Higher Education Institutional Aid Program			1,974,995
Passed through California Department of Rehabilitation:			
Rehabilitation Services Program			
College to Career	84.126A	29650	81,911
Rehabilitation Services - Workability	84.126A	29296	204,963
Subtotal Rehabilitation Services Program			286,874
Passed through Fresno County Office of Education:			
Race to the Top	84.359A	56237	21,652
Passed through California Community College Chancellor's Office:			
Career and Technical Education Program:			
Central Regional Consortium Grant	84.048A	15-150-004	200,874
CTE Transitions Grant	84.048A	15-112-064	79,593
Career and Technical Education, Title IC	84.048A	15-C01-064	1,233,901
Subtotal Career and Technical Education Program			1,514,368
Total U.S. Department of Education			64,195,421

(Continued)

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Labor			
Passed through West Hills Community College District:			
Trade Adjustment Assistance Community College and Career Training Program	17.282	*	$ 224,346
U.S. Department of Health and Human Services			
Passed through California Department of Education:			
Child Care Development Fund Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CSPP-5082 CCTR-5036	232,359
Child Care and Development Block Grant	93.575	CSPP-5082 CCTR-5036	127,832
Child Care and Development Block Grant - Training Consortium	93.575	15-16-3230 15-16-3219 15-16-0001	27,449
Child Care and Development Block Grant - Early Child Mentor Program	93.575	CN150142	3,728
Subtotal Child Care Development Fund Cluster			391,368

(Continued)

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying 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	*	$ 225,635
Passed through Madera County Dept. of Social Services:			
TANF - Vocational Training	93.558	10409-C-2015	148,291
Passed through Tulare County Health & Human Services:			
TANF - Tulare CalWORKs Work Study Program	93.558	PA1375/8182	23,719
Passed through Fresno County Health & Human Services:			
TANF - CalWORKs Employment & Temporary Assistance	93.558	A-15-295	394,624
Subtotal TANF Program			792,269
Passed through Foundation for California Community Colleges:			
Chafee Foster Care Independence Program - Youth Empowerment Strategies for Success	93.674	YP-104-15	21,994
Total U.S. Department of Health and Human Services			1,205,631
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	*	42,920
Child and Adult Care Food Program - Promoting Integrity NOW (PIN)	10.558	CN150060	112,327
State Administrative Expenses for Child Nutrition - Mandatory Training	10.558	CN150059	460,205
State Administrative Expenses for Child Nutrition - Healthy & Active Preschoolers	10.558	CN150077	78,538
Subtotal Child and Adult Care Food Program			693,990

(Continued)

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture (Continued)			
Passed through California Department of Food and Agriculture:			
California Specialty Crop Program:			
California Specialty Crop - Business Details	10.170	SCB13026	105,035
California Specialty Crop - Export Promotion	10.170	SCB14012	171,752
Subtotal California Specialty Crop Program			276,787
Passed through Humboldt State University:			
HIS Education Pathway Grant	10.223	2014-38422-22081	18,301
Total U.S. Department of Agriculture			989,078
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	F15-0074	1,660
U.S. Department of Veteran Affairs			
Veterans Information and Assistance - Reporting Fees	64.115	*	7,279
Research & Development Cluster			
U.S. National Science Foundation			
Direct Program:			
Collections in Support of Biological Research	47.074	1349397	63,836
U.S. National Aeronautics and Space Administration			
Passed through Napa College			
Rising Data: Flight Project Curriculum for Community College Students	43.008	NNX15AV98A	6,014
Total Federal Programs			$ 66,693,265

* No pass-through number was provided by the pass-through entity.

See accompanying notes to supplementary information.

STATE CENTER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS
For the Year Ended June 30, 2016

	Program Revenues				
	Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total	Total Program Expenditures
AB104 Adult Education Block Grant	$ 4,839,117	$ -	$ (281,804)	$ 4,557,313	$ 4,557,313
AEBG Data and Accountability	798,202	-	(798,202)	-	-
Ag Summer Camp - Paramount	40,096	96,236	-	136,332	136,332
Basic Skills	750,342	-	(381,375)	368,967	368,967
BFAP	1,500,816	-	(104)	1,500,712	1,500,712
CARE	328,225	-	(5,776)	322,449	322,449
CARE/AB212	1,487	1,538	-	3,025	3,025
Cal Grants	5,301,991	758	(8,798)	5,293,951	5,293,951
CalWORKs	1,060,049	-	(85,041)	975,008	975,008
CalWORKS Regional Effort Dollars Program	10,000	-	(3,054)	6,946	6,946
California Apprenticeship Initiative	680,287	-	(630,227)	50,060	50,060
CCC Student Mental Health Program	28,303	-	-	28,303	28,303
CCPT Education Pathway	-	5,216	-	5,216	5,216
CCPT Fresno Healthcare Collaborative	-	3,266	-	3,266	3,266
Cooperating Agencies Foster Youth Education Support	356,547	-	(34,368)	322,179	322,179
CSEC: Awareness and Identification	-	3,690	-	3,690	3,690
CTE Enhancement Fund	4,053,764	-	(524,653)	3,529,111	3,529,111
Deputy Sector Navigator - Communication & Information	120,000	199,546	(5,739)	313,807	313,807
Disabled Students Services (DSPS)	3,734,611	-	(303,510)	3,431,101	3,431,101
Economic Opportunity Programs and Services (EOPS)	2,859,878	-	(12,119)	2,847,759	2,847,759
Education Planning Initiative (EPI)	210,000	-	(210,000)	-	-
Enrollment Growth - Associate Degree Nursing Program	376,176	32,711	-	408,887	408,887
Equal Employment Opportunity Fund	10,275	-	-	10,275	10,275
E-Transcript California Mini Grant	67,500	-	(67,500)	-	-
Foster Care Education	76,974	76,938	-	153,912	153,912
Full Time Student Success Grant (FTSSG)	1,685,208	-	(175,112)	1,510,096	1,510,096
IDRC - Soft Skills Training Grant	79,951	-	(79,951)	-	-
Instruction Equipment & Library Fund	1,819,324	-	(46,052)	1,773,272	1,773,272
Middle College High School Grant	39,600	59,050	-	98,650	98,650
Paramount Agriculture Career Academy	21,948	11,755	-	33,703	33,703
Peace Officer Standards and Training (POST)	50,042	321,221	-	371,263	371,263
Prop 39 Clean Energy Workforce Program Improvement Fund	31,738	40,071	-	71,809	71,809

(Continued)

	Program Revenues				
	Cash Received	Accounts Receivable	Deferred Income	Total	Total Program Expenditures
PUENTE Project	$ 3,052	$ -	$ -	$ 3,052	$ 3,052
Sector Navigator-Agriculture, Water, & Environment	149,000	348,641	-	497,641	497,641
Scheduled Maintenance & Repair	1,819,324	-	-	1,819,324	1,819,324
Song Brown	117,522	131,944	-	249,466	249,466
Student Equity Fund	5,970,292	-	(2,038,690)	3,931,602	3,931,602
Student Success (Credit)	9,851,135	-	(3,977,220)	5,873,915	5,873,915
Student Success (Non-credit)	36,811	-	(19,569)	17,242	17,242
Supplemental Educational Support Materials	5,459	3,679	-	9,138	9,138
Transition Aged Foster Youth Grant	799	-	-	799	799
Westhills Ag Academy	-	9,697	-	9,697	9,697

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, 2016

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2015 only)			
1. Noncredit	29	-	29
2. Credit	1,579	-	1,579
B. Summer Intersession (Summer 2015) - Prior to July 1, 2013)			
1. Noncredit	5	-	5
2. Credit	1,868	-	1,868
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	20,119	-	20,119
b. Daily Census Contact Hours	1,851	-	1,851
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	395	-	395
b. Credit	1,262	-	1,262
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	1,747	-	1,747
b. Daily Census Contact Hours	340	-	340
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
D. Total FTES	29,195	-	29,195
Supplemental Information:			
E. In-Service Training Courses (FTES)	240	-	240
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	186	-	186
b. Credit	1,951	-	1,951
CCFS 320 Addendum			
CDCP	158	-	158
Centers FTES			
a. Noncredit	151	-	151
b. Credit	4,650	-	4,650

See accompanying notes to supplementary information.

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

STATE CENTER COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2016

General fund		$ 33,015,139
Debt service fund		6,645,875
Special revenue funds		360,646
Capital projects funds		28,191,135
Self insurance funds		13,024,097
Bookstore		6,627,686
Total fund balances - business-type activity funds		$ 87,864,578
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. However, capital assets, net of accumulated depreciation are added to total net assets.		
Total District capital assets	$ 290,053,687	
less bookstore fund capital assets	(76,277)	
		289,977,410
In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:		
Deferred outflows of resources relating to pensions	$ 14,514,254	
Deferred inflows of resources relating to pensions	(14,807,000)	
		(292,746)
Unmatured interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.		(1,993,714)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2016 consisted of:		
General Obligation Bonds	(92,000,000)	
Bond premiums	(14,399,847)	
Other postemployment benefits	58,865	
Net pension liability	(148,057,000)	
Other long-tem liabilities, less bookstore fund	(4,142,413)	
		(258,540,395)
Losses on refundings of debt are categorized as deferred until outflows and are amortized over the shortened life of the refunded or refunding of the debt.		5,466,971
Adjustment to student accounts for uncollectible amounts		(788,720)
Total net position - business-type activities		$ 121,693,384

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, 2016

		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	$ 41,245,310	$ -	$ 41,245,310	$ 41,245,310	$ -	$ 41,245,310
Other	1300	17,474,188	-	17,474,188	17,474,188	-	17,474,188
Total instructional salaries		58,719,498	-	58,719,498	58,719,498	-	58,719,498
Non-instructional salaries:							
Contract or regular	1200	-	-	-	14,776,671	-	14,776,671
Other	1400	-	-	-	2,448,889	-	2,448,889
Total non-instructional salaries		-	-	-	17,225,560	-	17,225,560
Total academic salaries		58,719,498	-	58,719,498	75,945,058	-	75,945,058
Classified Salaries							
Non-instructional salaries:							
Regular status	2100	-	-	-	23,803,722	-	23,803,722
Other	2300	-	-	-	2,268,491	-	2,268,491
Total non-instructional salaries		-	-	-	26,072,213	-	26,072,213
Instructional aides:							
Regular status	2200	2,007,079	-	2,007,079	2,007,079	-	2,007,079
Other	2400	988,048	-	988,048	988,048	-	988,048
Total instructional aides		2,995,127	-	2,995,127	2,995,127	-	2,995,127
Total classified salaries		2,995,127	-	2,995,127	29,067,340	-	29,067,340
Employee benefits	3000	18,720,289	-	18,720,289	34,732,899	-	34,732,899
Supplies and materials	4000	-	-	-	2,405,536	-	2,405,536
Other operating expenses	5000	498,102	-	498,102	13,911,658	-	13,911,658
Equipment replacement	6420	-	-	-	-	-	-
Total expenditures prior to exclusions		$ 80,933,016	$ -	$ 80,933,016	$156,062,491	$ -	$156,062,491

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
For the Year Ended June 30, 2016

Exclusions	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 Reported Data	Audit Adjustments	Revised Data	Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 Reported Data	Audit Adjustments	Revised Data
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	$ 796,547	$ -	$ 796,547	$ 796,547	$ -	$ 796,547
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	-	-	-
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	460,737	-	460,737
Objects to exclude:							
Rents and leases	5060	-	-	-	107,699	-	107,699
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	10,275	-	10,275
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	1,327	-	1,327
Supplies and materials:	4000						
Software	4100	-	-	-	355	-	355
Books, magazines and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	32,811	-	32,811
Noninstructional supplies and materials	4400	-	-	-	64,597	-	64,597
Total supplies and materials		-	-	-	97,763	-	97,763
Other operating expenses and services	5000	-	-	-	2,399,968	-	2,399,968
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Equipment:	6400						
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	-	-	-
Total capital outlay		-	-	-	-	-	-
Other outgo	7000	-	-	-	-	-	-
Total exclusions		$ 796,547	$ -	$ 796,547	$ 3,874,316	$ -	$ 3,874,316
Total for ECS 84362, 50% Law		$ 80,136,469	$ -	$ 80,136,469	$ 152,188,175	$ -	$ 152,188,175
Percent of CEE (instructional salary cost /Total CEE)		52.66%	-	52.66%	100%	-	100%
50% of current expense of education					$ 76,074,588	$ -	$ 76,074,588

See accompanying notes to supplementary information.

STATE CENTER COMMUNITY COLLEGE DISTRICT
PROP 30 EPA EXPENDITURE REPORT
For the Year Ended June 30, 2016

EPA Proceeds: $ 24,597,426

Activity Classification	Activity Code (0100-5900)	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities		$ 24,597,426	$ -	$ -	$ 24,597,426

See accompanying notes to supplementary information.

NOTE 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Educational Institutions or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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		$ 13,638,038
Non-operating revenues		53,430,556
Total Federal revenues		67,068,594
Less: Federal reimbursement of interest paid Build America Bonds	N/A	(375,329)
Total Federal Expenditures, Schedule of Expenditure of Federal Awards		$ 66,693,265

B - Schedule of State Financial Awards

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

C - Schedule of Workload Measures for State General Apportionment

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

(Continued)

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

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

This schedule discloses any adjustments to fund balance as reported on the CCFS-311 to fund balance used in the audited financial statements.

E - Reconciliation of Governmental funds to the Statement of Net Position

This schedule provides the information necessary to reconcile the fund balances to the audited financial statements.

F - 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.

G - Prop 30 EPA Expenditures Report

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

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, 2016:

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
Student Success and Support Program (SSSP)
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
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 and the California State Chancellor's Office's California Community College Contracted District Audit Manual (Audit Manual). Those standards and the Audit Manual 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.

(Continued)

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, 2016. 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 2016-001. 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 it.

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 19, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise State Center Community College District's basic financial statements, and have issued our report thereon dated December 19, 2016.

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*.

(Continued)

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 19, 2016

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 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, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

(Continued)

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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of State Center Community College District's internal control over compliance.

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

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

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 19, 2016

FINDINGS AND RECOMMENDATIONS

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 2 CFR 200.516(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
84.042A, 84.047A, 84.047M	Trio Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 2,000,798	
Auditee qualified as low-risk auditee?	X Yes	______ No

STATE AWARDS

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

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2016-001 STATE COMPLIANCE - SALARIES OF CLASSROOM INSTRUCTORS (50 PERCENT LAW) (421)

Criteria

Education Code Section 84362, commonly known as the 50 Percent Law, requires that a minimum of 50 percent of the district's Current Expense of Education (CEE) be expended during each fiscal year for "Salaries of Classroom Instructors." The information utilized in the calculation to determine compliance is expected to be accurate and not include any erroneous information.

The District must expend at least 50% of their total expenditures on Classroom Instructors.

Condition

Of the 15 individuals selected for reassigned time testing, one individual selected was paid 100% using instructional funds while their employee personnel form indicated the payment should have been split 80% instructional expense and 20% non-instructional expense. The District's improper inclusion of the additional 20% overstated total instructional salaries within the 50% law calculation.

Effect

Extrapolation of the condition of the individual's additional 20% funding further concluded that the District is still in compliance with the 50% minimum, at 52.49% compared to an original calculation of 52.66%.

Cause

Adequate procedures are not in place to ensure information used to perform the calculation is accurate.

Fiscal Impact

Not determinable.

Recommendation

The District should review the input and accuracy of employee information within the 50% calculation to ensure all employees are properly coded to instructional versus non-instructional expense.

Corrective Action Plan

The District will implement additional training for office staff on understanding the relationship of faculty loads and reassigned time, and how to review reports and identify discrepancies on labor expenditure reports. Additionally, each semester the campus will prepare a report of staff who has reassigned time. The report will be given to the Deans to verify and the Administrative Services office to audit.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
2015-001		
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. Recommendation: The District should develop and implement procedures to ensure compliance with EOPS recordkeeping requirements.	Implemented.	