STATE CENTER COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
June 30, 2017

STATE CENTER COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

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Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITORS' REPORT

Board of Trustees
State Center Community College District
Fresno, California

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, 2017, 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, 2017, 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)

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This Statement replaces the requirements of GASB Statements No. 45, "Accounting and Reporting for Employers Post Employment Benefits Other than Pensions", as amended, and GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 14 and Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 47 to 51 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 District'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.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2017 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, 2017

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, 2017. 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 35,000 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 10,800 students in a variety of courses and degree programs in occupational education and the arts and sciences. Clovis Community College, established in 1992 as a center, became the system's newest college in July 2015 and enrolls nearly 10,500 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 6,300 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.

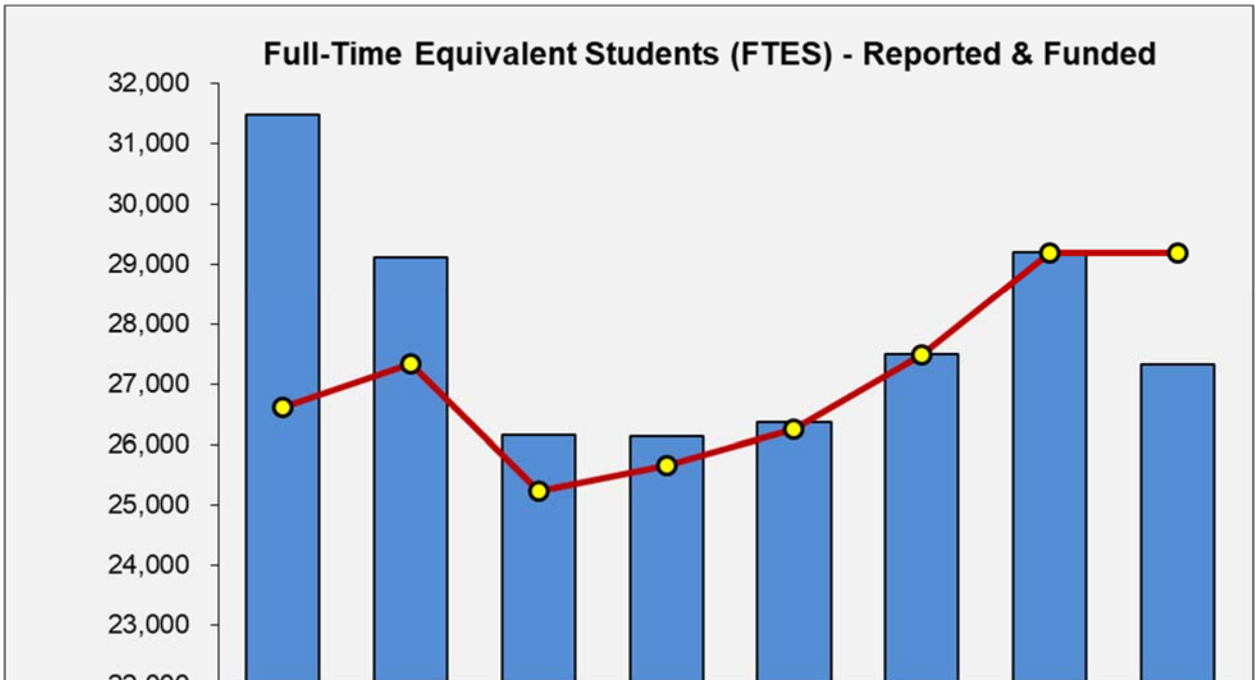
FINANCIAL HIGHLIGHTS

The District's unrestricted general 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 2016-17, the community college system was allocated growth funding of approximately $114 million or a 2% increase in funded FTES over the previous year. Based on the CCFS-320 RECALC report, the District reported 27,324 resident FTES for the 2016-17 fiscal year, down from the 29,194 FTES reported in fiscal year 2015-16. The district will receive funding at the higher 2015-16 FTES reported level. The district's enrollment management team evaluated the options related to reporting FTES and determined it would be financially prudent to report fewer FTES in 2016-17 based on the strong fall enrollment projections in 2017-18. Unfortunately, there was no cost of living adjustment (COLA) increase provided for 2016-17.

The California Community College system also provided a one-time allocation of $185 million for payment of mandated costs/claims. The district's share of this amount was approximately $2.7 million. Additionally, the

Chancellor's Office provided a base funding increase of $75 million, which provided approximately $1.9 million to our district, to address increasing operational costs and the rising employer pension expense.

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



	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17 Est.
Reported	31,479	29,114	26,159	26,125	26,375	27,484	29,194	27,324
Funded	26,613	27,325	25,236	25,645	26,244	27,484	29,194	29,194
% Chg	-3.90%	2.68%	-7.65%	1.62%	2.34%	4.72%	6.22%	0.00%

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 will 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 larger site with permanent facilities.

In September 2017, the district issued its first series of bonds from Measure C with a par value of $75 million. Additionally, the district refunded just over $9 million of its outstanding Measure E bonds to yield a significant debt service savings of nearly $2.7 million. The initial $75 million bond sale of Measure C – Series "A" will have a focus on the following projects:

- Madera Community College Center – Academic Village Addition
- Madera Community College Center – Center for Advanced Manufacturing Expansion
- Reedley College – Math Science & Engineering
- Fresno City College – Preliminary Stages of Parking, West Fresno Campus, Science Building, and Fire/Police Academies

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 $22.6 million, of which $10.3 million is due to the increase in deferred state restricted program revenue. Additionally, $3.75 million is being set aside in a county treasury retiree benefits fund to address the future STRS/PERS pension rate increases. The capital projects fund increased by $5.8 million to address campus capital projects and scheduled maintenance.
- Short-term receivables decreased $4.0 million due to having received payment on prior year receivables in state apportionment, restricted grant programs, and state energy-efficiency program.
- An increase of nearly $7.0 million in capital assets which is offset by an increase in the accumulated depreciation expense of approximately $10.5 million, yielding an overall decrease in net capital assets of $3.5 million.
- Deferred outflows of resources increased by $23.3 million as a result of the calculated values attributable to the GASB 68/75 reporting requirements; see audit report footnotes 9, 10, and 11.
- Accounts payable and current liabilities decreased by $4.1 million related to the prior year's increased end of year payable balances.
- Unearned revenues increased by $10.8 million, primarily related to state grant funds carrying over to the next fiscal year. The most significant programs increases are Strong Workforce Program (+$10.3m), California Promise (+$1.5m), and Basic Skills Student Outcomes Transformation (+$1.3m). Programs that decreased in deferred revenue balances are Student Support & Success Program/Student Equity (-$1.4m), Adult Education Consortium (-$300k), CTE Enhances (-$500k), and CA Apprenticeship (-$600k).
- Long-term liabilities increased overall by approximately $48.0 million. The net pension liability increased by $29.0 million based on the STRS/PERS pension plan actuarial valuations; see audit report footnotes 9, 10 and 11. The district elected to implement GASB 75 early, requiring the district to reflect the full value of the district's OPEB liability. New for fiscal year 2106-17 is the addition of the OPEB liability, $22.9 million, which is based on the district's most recent OPEB valuation report. Corresponding increases and decreases in the deferred inflows and outflows of resources are reflected as well.

Statement of Net Position (Continued)

Condensed financial information is as follows:

	As of June 30th (in thousands)			
ASSETS:	**2017**	**2016**	Change	% Change
CURRENT ASSETS				
Cash, Investments, and Short-Term Receivables	$ 106,097	$ 93,831	$ 12,266	13.1%
Inventory and Prepaid Expenses	3,934	3,034	900	29.7%
TOTAL CURRENT ASSETS	$ 110,031	$ 96,865	$ 13,166	13.6%
NON-CURRENT ASSETS				
Restricted Cash	$ 39,742	$ 33,417	$ 6,325	18.9%
Net Plan Assets - OPEB	-	59	(59)	-100.0%
Capital Assets, Net of Depreciation	286,464	290,054	(3,590)	-1.2%
TOTAL NON-CURRENT ASSETS	$ 326,206	$ 323,530	$ 2,676	0.8%
TOTAL ASSETS	$ 436,237	$ 420,395	$ 15,842	3.8%
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Outflows of Resources - Pension	$ 36,033	$ 14,514	$ 21,519	148.3%
Deferred Outflows of Resources - OPEB	1,836	-	1,836	100.0%
Deferred Loss from Refunding of Debt	4,149	5,467	(1,318)	-24.1%
	$ 42,018	$ 19,981	$ 22,037	110.3%
TOTAL ASSETS & DEFERRED OUTFLOWS	$ 478,255	$ 440,376	$ 37,879	8.6%
LIABILITIES:				
CURRENT LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 20,047	$ 24,112	$ (4,065)	-16.9%
Unearned Revenue	31,322	20,502	10,820	52.8%
Amount Held in Trust on Behalf of Others	985	574	411	71.6%
Compensated Absences Payable	3,529	3,350	179	5.3%
Long Term Liabilities	3,869	3,575	294	8.2%
TOTAL CURRENT LIABILITIES	$ 59,752	$ 52,113	$ 7,639	14.7%
NON-CURRENT LIABILITIES				
Long-Term Liabilities	$ 300,018	$ 251,763	$ 48,255	19.2%
TOTAL LIABILITIES	$ 359,770	$ 303,876	$ 55,894	18.4%
DEFERRED INFLOWS OF RESOURCES:				
Deferred Inflows of Resources - Pension	$ 9,866	$ 14,807	$ (4,941)	-33.4%
Deferred Inflows of Resources - OPEB	764	-	764	100.0%
	$ 10,630	$ 14,807	$ (4,177)	-28.2%
NET POSITION:				
Net Investment in Capital Assets	$ 187,664	$ 189,121	$ (1,457)	-0.8%
Restricted for Expendable Purposes	62,158	50,338	11,820	23.5%
Unrestricted	(141,967)	(117,766)	(24,201)	20.6%
TOTAL NET POSITION	$ 107,855	$ 121,693	$ (13,838)	-11.4%
TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION	$ 478,255	$ 440,376	$ 37,879	8.6%

Statement of Revenues, Expenses, and Change in Net Position

The Statement of Revenues, Expenses, and Change in Net Position presents the operating results of the District. The purpose of 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.

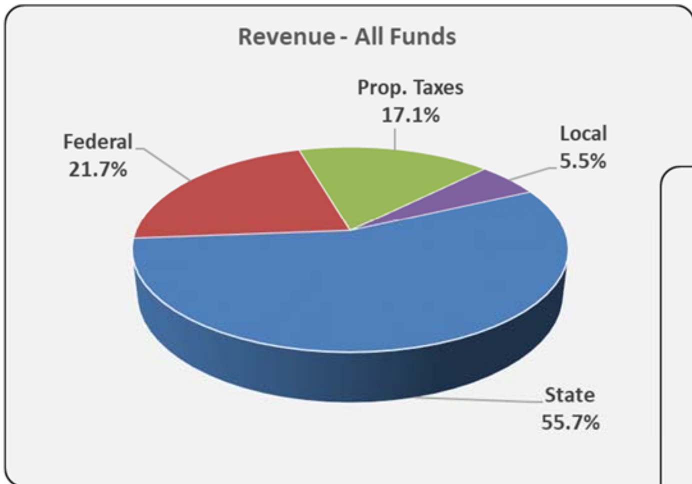
Condensed financial information is as follows:

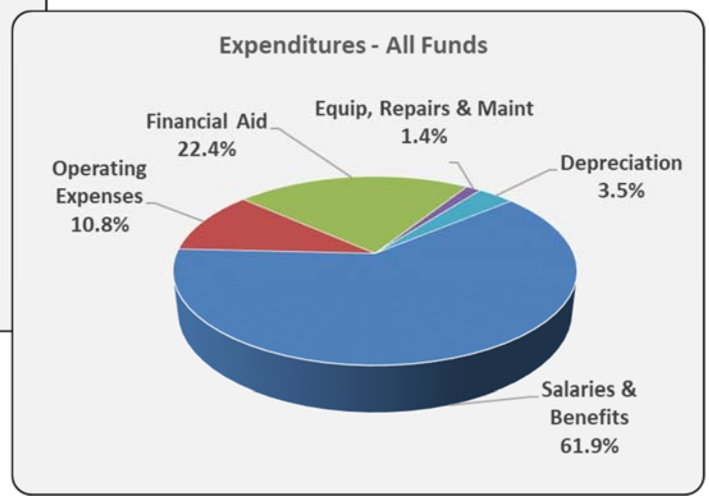
	For the years Ended June 30th (in thousands)			
	2017	**2016**	Change	% Change
OPERATING REVENUES				
Tuition & Fees	$ 13,992	$ 12,345	$ 1,647	13.3%
Grants & Contracts, Non-Capital	61,266	57,414	3,852	6.7%
Auxillary Enterprises & Other Operating Revenues	4,818	5,203	(385)	-7.4%
TOTAL OPERATING REVENUES	$ 80,076	$ 74,962	$ 5,114	6.8%
OPERATING EXPENDITURES				
Salaries and Benefits	$ 184,564	$ 171,242	$ 13,322	7.8%
Supplies, Maintenance & Other Operating Expenses	36,356	41,608	(5,252)	-12.6%
Financial Aid	66,841	65,920	921	1.4%
Depreciation	10,456	9,958	498	5.0%
TOTAL OPERATING EXPENDITURES	$ 298,217	$ 288,728	$ 9,489	3.3%
OPERATING (LOSS)	$ (218,141)	$ (213,766)	$ (4,375)	2.0%
NON-OPERATING REVENUES (EXPENSES)				
State Apportionment	$ 109,905	$ 112,849	$ (2,944)	-2.6%
Property Taxes	52,146	47,196	4,950	10.5%
State Revenues	14,422	26,524	(12,102)	-45.6%
Pell Grant	52,490	53,430	(940)	-1.8%
Net Interest Income / (Expense)	(3,886)	(4,322)	436	-10.1%
Other Non-Operating Revenue / (Expense)	(8)	25	(33)	-132.0%
TOTAL NON-OPERATING REVENUES (EXPENSES)	$ 225,069	$ 235,702	$ (10,633)	-4.5%
(LOSS) / INCOME BEFORE OTHER REV AND EXP	$ 6,928	$ 21,936	$ (15,008)	-68.4%
CAPITAL REVENUE				
Federal, State and Local Capital Income	$ 683	$ 1,580	$ (897)	-56.8%
(DECREASE) / INCREASE IN NET POSITION	$ 7,611	$ 23,516	$ (15,905)	-67.6%
NET POSITION, BEGINNING	$ 121,693	$ 98,177	$ 23,516	24.0%
Cummulative effect of GASB 75 Implementation	(21,449)	-	(21,449)	100.0%
NET POSITION, ENDING	$ 107,855	$ 121,693	$ (13,838)	-11.4%

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

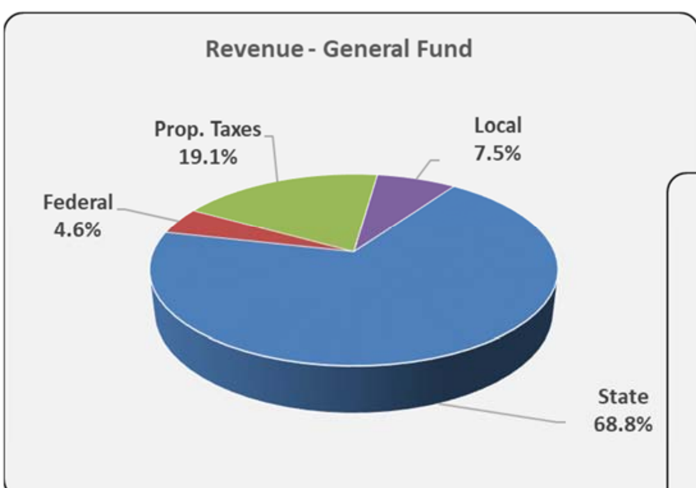
The District relies heavily on state apportionment, property taxes, federal grants, and state categorical programs to meet the needs of its students. It is important to understand the sources and uses of these funds. The following graphs depict the District's major revenue sources and expenditures for all funds, which reflect the numbers reported in the audited financial statements. Also shown are the details of the general fund (unrestricted and restricted funds) stand-alone.

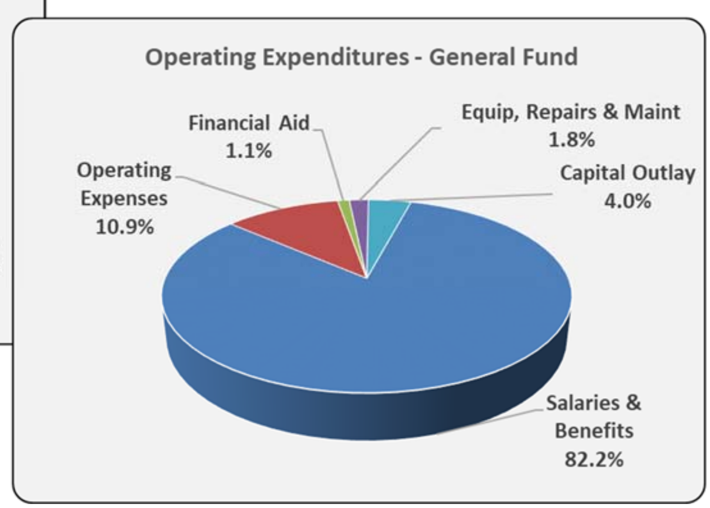
Districtwide (All Funds Combined)





General Fund





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

Highlights of the major changes include:

- Net tuition and fees increased approximately $1.6 million from the previous year. Enrollment and parking fees collected were up just over $400,000, while fee waivers and contra bad debt expense reduced by $1.2 million.

- Grant program activity increased over $3.8 million from the prior year. Significant increases in funding include:
  - SSSP/Student Equity $3.7 million
  - EOP&S $675,000
  - CalWorks $300,000
  - Adult Education Consortium ($3.6 million reduced – reclassified as pass through)
  - Instructional Equipment/Schedule Maintenance $1.1 million
  - Strong Workforce Program $375,000
  - Full-Time Student Incentive Grant $300,000
  - Cal Grants $750,000

- Salary and benefits expenditures increased by $13.3 million due to the effects of step and column increases, STRS and PERS pension employer rate increases, GASB 68 pension liability expense, and increases in faculty and staff to support campus operations and student service grants/programs. Unrestricted wages increased by $4.0 million (2.8% increase), restricted program wages accounted for $5.2 million (20.4% increase), and the GASB 68 pension expense, along with GASB 75 retiree benefits expense was $3.9 million.

- Supplies, maintenance, and other operating expenditures decreased by $5.3 million. The most significant cost decrease, approximately $3.7 million, was the change in reporting of the Adult Education Consortium partner distribution payments as other "pass through" payments (and not operating expenditures). Additionally, a decrease of $1.8 million in capital outlay expenditures that did not qualify as capital assets caused a reduction in the overall operating expenditures total.

- Financial aid expenditures increased modestly by approximately $1.0 million, due to additional financial aid resources.

- State apportionment decreased $2.9 million while property taxes increased $4.9 million, resulting in increased revenues of nearly $2.0 million primarily from the base funding allocation.

- Non-operating state revenues decreased by $12.1 million because of the major reduction in one-time state mandated funding provided in fiscal year 2015-16.

- Lastly, the district's net position decreased overall by $13.8 million. The beginning balance was restated (reduced $21.4 million) due to the recognition of the district's other post-employment benefits (OPEB) liability of implementing GASB 75. However, the district's net position increased approximately $7.6 million from current year operations.

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)		
	2017	**2016**	Change
Cash provided by (used in)			
Operating activities	$ (197,257)	$ (200,410)	$ 3,153
Non-capital financing activities	232,171	238,137	(5,966)
Capital financing activities	(13,286)	(16,237)	2,951
Investing activities	1,024	739	285
Net increase/(decrease) in cash	$ 22,652	$ 22,229	$ 423
Cash, Beginning of Year	$ 109,000	$ 86,771	$ 22,229
Cash, End of Year	$ 131,652	$ 109,000	$ 22,652

Economic and Financial Factors Affecting the Future of the District

Economy

The US Economy has been on one of the longest economic recoveries in history, nearing an eight-year growth cycle. Therefore, the likelihood of an economic downturn sometime in the near future seems to be somewhat anticipated given the history of economic cycles. Over the past two years, the community college system has provided districts with some significant increases of revenues, especially in fiscal year 2015-16 with the significant one-time mandate funding. Unfortunately, California's revenue model has had a tendency for boom and bust economies and it is only a matter of time before the next recession. Given the uncertainty with the future State budgets, the District must continue to prepare itself for an eventual economic downturn.

Proposition 30 / Proposition 55

California's general fund revenues continue to benefit from 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 expired 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 continue to pay attention to the economic health of the State and be on guard for future economic declines.

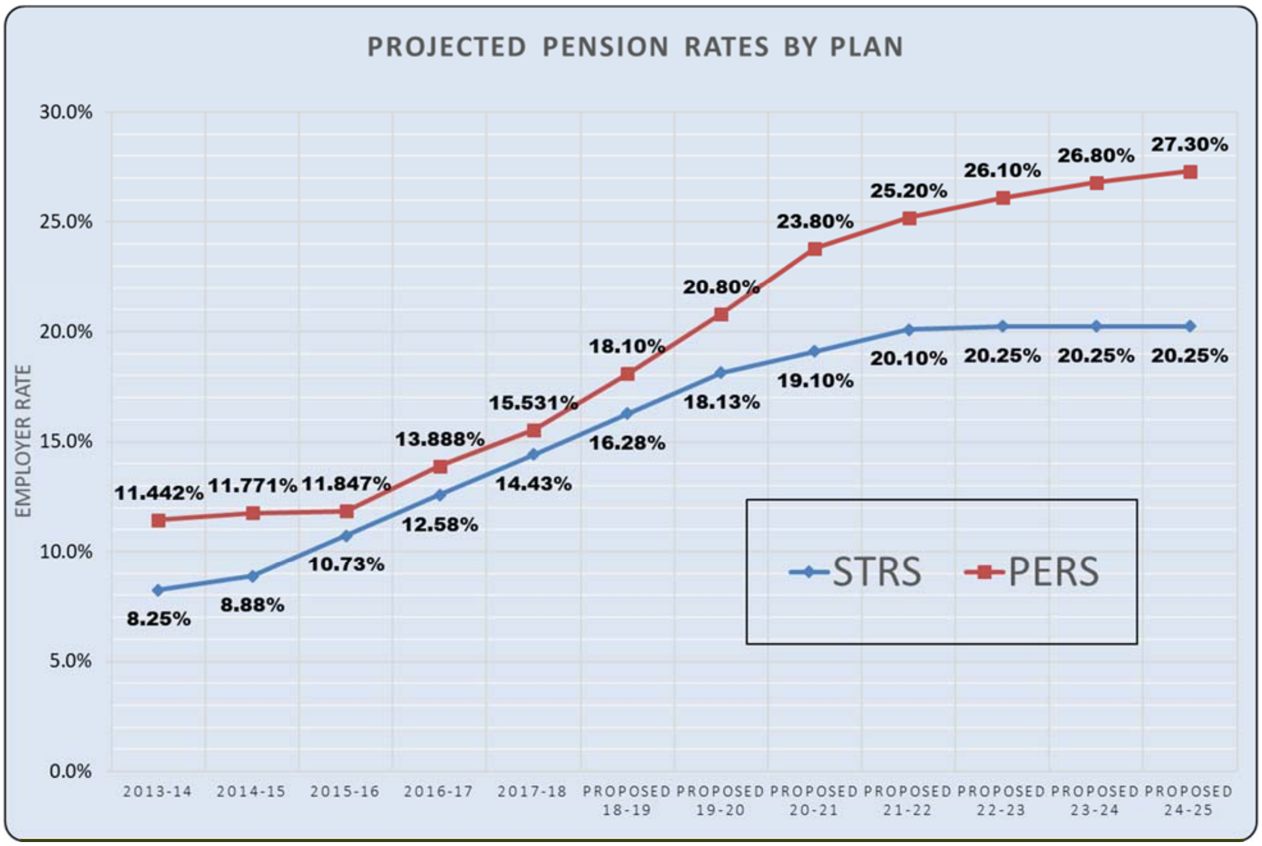
Health Benefits / Affordable Care Act (ACA)

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 2017, 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.

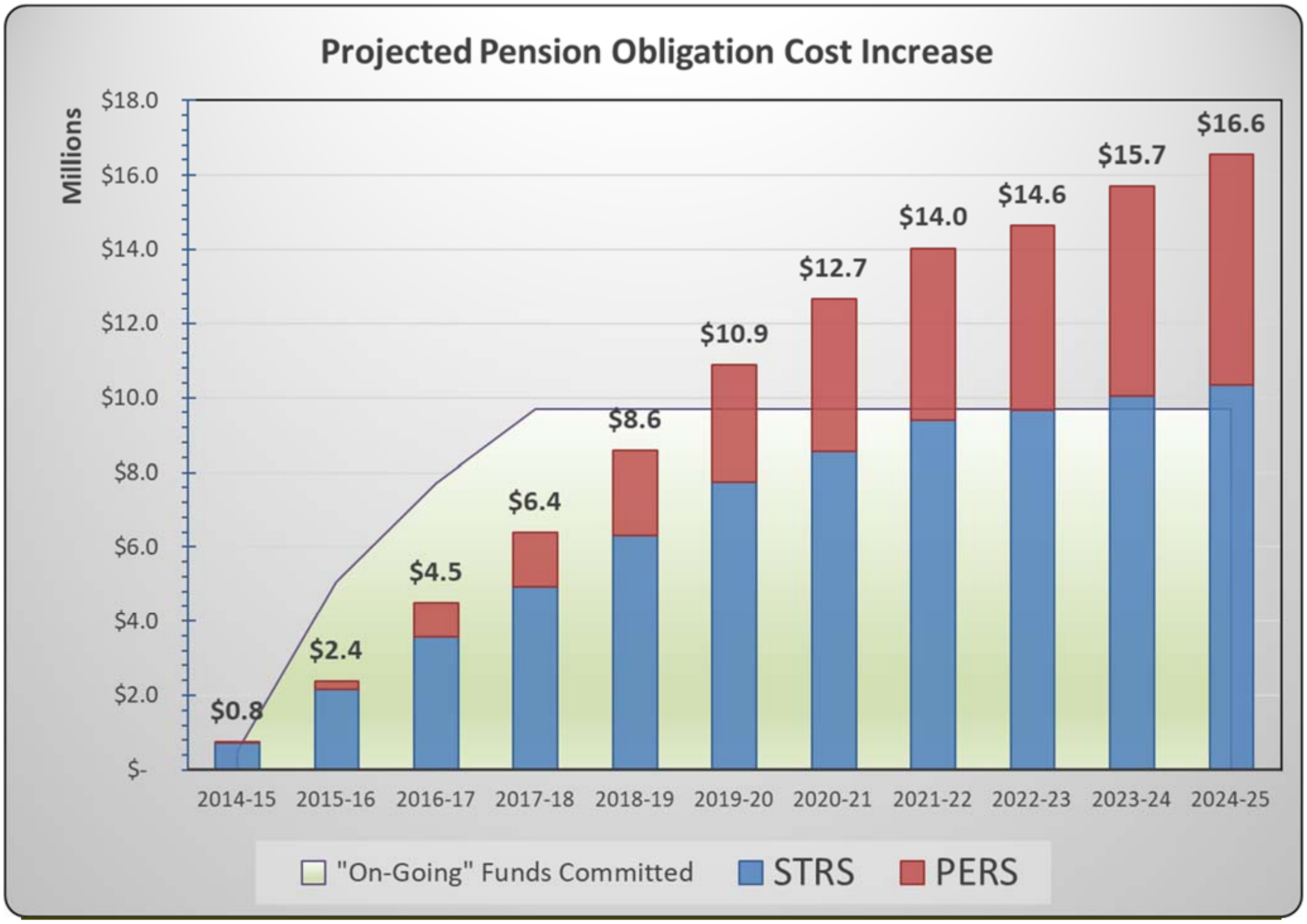
In addition, the Affordable Care Act (ACA) continues to be a highly debated political topic that seems to be a daily topic in the news. The districts will need to continue to watch and best prepare as the national health policies evolve and take form.

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 (PERS) and California State Teachers' Retirement System (STRS). The PERS system has been adjusting their employer contribution rates over the years and has approved a multi-year rate increase plan to address the programs unfunded liabilities. For 2017-18, the employer contribution rate rises to 15.531%. The STRS system cannot unilaterally increase employer or employee contribution rates as rate changes requires legislative action. In June 2014, the Governor signed Assembly Bill 1469 which authorizes the contribution rate increases for employers, employees, and the State for fiscal years 2014-15 to 2020-21. The STRS employer contribution rate for 2017-18 increases to 14.43%. The table following shows the historical and proposed future employer contribution rates for the two pension plans:



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 2017-18 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 2017 board meeting, district administration recommended and the Board approved the continued funding/setting aside the $3.75 million of on-going resources 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 as of the 2017-18 fiscal year budget 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, 2017

ASSETS		
Current assets:		
Cash and cash equivalents	$	91,909,676
Investments		1,144
Receivables, net		14,185,588
Prepaid expenses		556,406
Stores inventories		3,377,937
Total current assets		110,030,751
Noncurrent assets:		
Restricted cash and cash equivalents		39,742,309
Non-depreciable capital assets		34,528,031
Depreciable capital assets, net		251,935,940
Total noncurrent assets		326,206,280
Total assets		436,237,031
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions		36,032,871
Deferred outflows of resources - OPEB		1,836,149
Deferred loss from refunding of long-term liabilities		4,149,385
Total deferred outflows of resources		42,018,405
Total assets and deferred outflows of resources	$	478,255,436
LIABILITIES		
Current liabilities:		
Accounts payable	$	20,047,229
Unearned revenue		31,322,311
Due to fiduciary funds		985,011
Compensated absences payable		3,528,472
Long-term liabilities - current portion		3,869,336
Total current liabilities		59,752,359
Noncurrent liabilities:		
Long-term liabilities - noncurrent portion		300,017,939
Total liabilities		359,770,298
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions		9,865,500
Deferred inflows of resources - OPEB		764,274
Total deferred inflows of resources		10,629,774
NET POSITION		
Net investment in capital assets		187,664,414
Restricted for:		
Capital projects and debt service		42,638,781
Educational programs		2,261,406
Self insurance		16,810,196
Other activities		447,448
Unrestricted		(141,966,881)
Total net position		107,855,364
Total liabilities, deferred inflows of resources and net position	$	478,255,436

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, 2017

Operating revenues:	
Tuition and fees	$ 40,251,924
Less: scholarship discounts and allowances	(26,259,317)
Net tuition and fees	13,992,607
Grants and contracts, non-capital:	
Federal	13,784,799
State	45,752,551
Local	1,728,664
Auxiliary enterprise sales and charges:	
Bookstore	1,794,211
Cafeteria	1,144,044
Other operating local revenues	1,879,489
Total operating revenues	80,076,365
Operating expenses:	
Salaries	133,518,641
Employee benefits	51,045,578
Supplies, materials, and other operating expenses and services	32,305,547
Equipment, maintenance and repairs	4,050,619
Student aid	66,840,792
Depreciation	10,456,193
Total operating expenses	298,217,370
Loss from operations	(218,141,005)
Non-operating revenues (expenses):	
State apportionment, non-capital	109,904,960
Local property taxes	52,146,213
State taxes and other revenues	14,422,135
Pell grants	52,490,007
Investment income, net	1,027,790
Interest expense on capital asset-related debt, net	(4,914,057)
Other nonoperating (expenses) revenues	(7,526)
Total non-operating revenues (expenses)	225,069,522
Income before capital revenues	6,928,517
Capital revenues:	
State property taxes and revenues	160,933
Local property taxes and revenues	521,908
Total capital revenues	682,841
Change in net position	7,611,358
Net position, July 1, 2016	121,693,384
Cumulative effect of GASB 75 implementation	(21,449,378)
Net position, beginning of year, as restated	100,244,006
Net position, June 30, 2017	$ 107,855,364

See accompanying notes to financial statements.

STATE CENTER COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

Cash flows from operating activities:	
Tuition and fees	$ 13,805,241
Grants and contracts	61,943,400
Other local revenue	1,879,489
Payments of scholarships and grants	(66,840,792)
Payments to suppliers and vendors	(30,561,659)
Payments to and on behalf of employees	(181,308,222)
Auxiliary enterprises sales and charges	3,825,042
Net cash used in operating activities	(197,257,501)
Cash flows from noncapital financing activities:	
State appropriations	111,136,729
Local property taxes	52,146,213
State taxes and other revenues	16,357,895
Pell grants	52,490,007
Other receipts	40,281
Net cash provided by noncapital financing activities	232,171,125
Cash flows from capital and related financing activities:	
State apportionments for capital purposes	160,933
Capital grants received	521,908
Purchase of capital assets	(6,878,314)
Principal paid on capital debt	(2,805,000)
Interest paid on capital debt, net	(4,285,335)
Net cash used in capital and related financing activities	(13,285,808)
Cash flows from investing activities:	
Investment income	1,024,184
Change in cash and cash equivalents	22,652,000
Cash and cash equivalents, July 1, 2016	108,999,985
Cash and cash equivalents, June 30, 2017	$ 131,651,985

(Continued)

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (218,141,005)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	10,456,193
Changes in assets and liabilities:	
Receivables, net	1,272,180
Prepaid expenses	75,685
Inventories	(975,752)
Deferred outflows of resources - pensions	(21,518,617)
Deferred inflows of resources - pensions	(4,941,500)
Accounts payable and accrued liabilities	(4,021,333)
Unearned revenue	10,820,534
Long-term disability liability and compensated absences	70,523
Net pension liability	29,236,000
Deferred inflows of resources - OPEB	764,274
Deferred outflows of resources - OPEB	(1,836,149)
OPEB liability	1,481,466
Net cash used in operating activities	$ (197,257,501)
Supplemental disclosure of non-cash transactions:	
Amortization of debt premiums	$ 645,905
Amortization of deferred loss on refunding	$ 1,317,587

See accompanying notes to financial statements.

STATE CENTER COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2017

	Student Trust Funds	Student Agency Funds
ASSETS		
Cash and cash equivalents	$ 800	$ 224,521
Receivables, net	750	145
Due from other funds	371,460	613,551
Total assets	$ 373,010	$ 838,217
LIABILITIES		
Accounts payable	4,597	$ 38,213
Unearned revenue	31,969	-
Due to student groups	-	800,004
Total liabilities	$ 36,566	$ 838,217
NET POSITION		
Total net position held in trust for students	$ 336,444	

See accompanying notes to financial statements.

STATE CENTER COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2017

	Student Trust Funds
Additions:	
Student fees	$ 44,528
Sales of goods and services	87,691
Contributions and other revenues	161,655
Total additions	293,874
Deductions:	
Supplies, materials and other operating costs	81,301
Equipment, maintenance and repairs	3,216
Student aid	161,211
Total deductions	245,728
Net increase	48,146
Net position held in trust:	
Net position, July 1, 2016	288,298
Net position, June 30, 2017	$ 336,444

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 $400,000 for the year ended June 30, 2017.

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 $4,914,057 and $75,665, respectively, for the year ended June 30, 2017.

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 shorter life of the refunded or refunding debt. Additionally, the District has recognized deferred outflow of resources related to the recognition of the pension liability and OPEB liability reported in the Statement of Net Position.

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.

(Continued)

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	$ 19,620,247	$ 16,412,624	$ 36,032,871
Deferred inflows of resources	$ 7,700,000	$ 2,165,500	$ 9,865,500
Net pension liability	$ 120,114,000	$ 57,179,000	$ 177,293,000
Pension expense	$ 16,764,441	$ 7,088,301	$ 23,852,742

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, 2017, 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.

(Continued)

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 June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. Based on the implementation of Statement No. 75, the District's July 1, 2016 net position was restated by $21,449,378 because of the recognition of the net OPEB liability.

(Continued)

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 2017, consisted of the following:

	District	Fiduciary
Pooled Funds:		
Cash in County Treasury	$ 86,346,183	$ 42,943
Deposits:		
Cash on hand and in banks	5,563,493	182,378
Cash held by Fiscal Agent	39,742,309	-
Total cash and cash equivalents	131,651,985	225,321
Less: restricted cash and cash equivalents		
Cash held by Fiscal Agent	39,742,309	-
Total restricted cash and cash equivalents	39,742,309	-
Net cash and cash equivalents	$ 91,909,676	$ 225,321

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, 2017 consisted of the following:

Mutual funds	$ 1,144

Cash with Fiscal Agent: The District's Cash with Fiscal Agent of $39,742,309 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.

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, 2017, the carrying amount of the District and Fiduciary's accounts was $5,745,871, and the bank balances were $7,853,768, of which $6,861,921 was uninsured but collateralized.

(Continued)

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

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

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

Interest Rate Risk: The District's investment policies do not limit cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2017, 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, 2017, the District had no concentration of credit risk.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2017 are summarized as follows:

	District	Fiduciary
Federal	$ 3,636,086	$ -
State	2,833,509	-
Local and other	8,115,993	13,372
	14,585,588	13,372
Less allowance for doubtful accounts	(400,000)	(12,477)
	$ 14,185,588	$ 895

NOTE 4 - CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2016	Additions and Transfers	Deductions and Transfers	Balance June 30, 2017
Non-depreciable:				
Land	$ 31,646,516	$ -	$ -	$ 31,646,516
Construction in progress	4,910,965	-	(2,029,450)	2,881,515
Depreciable:				
Land improvements	29,551,022	878,265	-	30,429,287
Buildings and improvements	304,260,550	4,398,296	-	308,658,846
Furniture and equipment	24,635,625	3,435,225	(162,409)	27,908,441
Vehicles	2,110,175	195,978	(677,849)	1,628,304
Total	397,114,853	8,907,764	(2,869,708)	403,152,909
Less accumulated depreciation:				
Land improvements	8,498,013	1,339,557	-	9,837,570
Buildings and improvements	85,777,358	6,694,565	-	92,471,923
Furniture and equipment	11,187,773	2,318,807	(162,409)	13,344,171
Vehicles	1,598,022	103,264	(666,012)	1,035,274
Total	107,061,166	10,456,193	(828,421)	116,688,938
Capital assets, net	$ 290,053,687	$ (1,548,429)	$ (2,041,287)	$ 286,463,971

NOTE 5 - UNEARNED REVENUE

Unearned revenue at June 30, 2017 consisted of the following:

	District	Fiduciary
Unearned Federal and State revenue	$ 21,715,607	$ -
Unearned tuition and student fees	8,517,960	-
Unearned local grant revenue and other	1,088,744	31,969
Total unearned revenue	$ 31,322,311	$ 31,969

(Continued)

NOTE 6 - LONG-TERM LIABILITIES

General Obligation Bonds: In June 2007, the District issued General Obligation Bonds, Election of 2002, 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, 2017, $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, 2017, the principal outstanding was $1,320,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2007A outstanding as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 1,320,000	$ 27,225	$ 1,347,225

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, 2017, $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, 2017, the principal outstanding was $1,255,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2009A outstanding as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 380,000	$ 50,837	$ 430,837
2019	415,000	30,443	445,443
2020	460,000	9,775	469,775
	$ 1,255,000	$ 91,055	$ 1,346,055

(Continued)

NOTE 6 - 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, 2017, 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, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ -	$ 800,000	$ 800,000
2019	-	800,000	800,000
2020	-	800,000	800,000
2021	-	800,000	800,000
2022	-	800,000	800,000
2023-2027	950,000	3,962,000	4,912,000
2028-2032	5,985,000	2,493,000	8,478,000
2033-2034	3,065,000	249,400	3,314,400
	$ 10,000,000	$ 10,704,400	$ 20,704,400

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, 2017, $9,550,000 of Series 2003A bonds and $12,075,000 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, 2017, the principal outstanding was $20,345,000.

The annual payments required to amortize the 2012 General Obligation Refunding Bonds outstanding as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,625,000	697,125	2,322,125
2023-2027	9,430,000	2,147,156	11,577,156
2028-2029	3,425,000	155,006	3,580,006
	$ 20,345,000	$ 6,467,725	$ 26,812,725

(Continued)

NOTE 6 - 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, 2017, $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, 2017, the principal outstanding was $56,275,000.

The annual payments required to amortize the 2015 General Obligation Refunding Bonds outstanding as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ -	$ 2,786,100	$ 2,786,100
2019	1,275,000	2,760,600	4,035,600
2020	1,490,000	2,705,300	4,195,300
2021	2,215,000	2,620,125	4,835,125
2022	2,530,000	2,501,500	5,031,500
2023-2027	17,320,000	10,142,750	27,462,750
2028-2032	31,445,000	4,401,375	35,846,375
	$ 56,275,000	$ 27,917,750	$ 84,192,750

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, 2017, 8 employees were eligible to receive payments under the program and the liability totaled $773,354.

Changes in Long-Term Debt: A schedule of changes in long-term debt for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016 Restated	Additions	Deductions	Balance June 30, 2017	Amounts Due Within One Year
General Obligation Bonds	$ 92,000,000	$ -	$ 2,805,000	$ 89,195,000	$ 3,080,000
Premium on General Obligation Bonds	14,399,847	-	645,905	13,753,942	678,950
Net pension liability (Notes 9 and 10)	148,057,000	29,236,000	-	177,293,000	-
Other postemployment benefits (Note 11)	21,390,513	1,481,466	-	22,871,979	-
Long-Term Disability Liability	881,136	-	107,782	773,354	110,386
Compensated absences	3,350,167	178,305	-	3,528,472	3,528,472
	$ 280,078,663	$ 30,895,771	$ 3,558,687	$ 307,415,747	$ 7,397,808

(Continued)

NOTE 7 - PROPERTY TAXES

All property taxes are levied and collected by the Tax Assessors of the Counties of Fresno, Madera, Tulare and Kings and paid upon collection to the various taxing entities including the District. Secured taxes are levied on July 1 and are due in two installments on November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date for secured and unsecured property taxes is March 1 of the preceding fiscal year.

NOTE 8 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS

General Information about the State Teachers' Retirement Plan

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

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 8 - 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 10.25 percent of applicable member earnings for fiscal year 2016-17. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2016-17.

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 – 12.58 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 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 8 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2016-17 through fiscal year 2045-46 are summarized in the table below:

Effective Date	Prior Rate	Increase	Total
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 $10,071,247 to the plan for the fiscal year ended June 30, 2017.

State – 8.828 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2046-2047. The CalSTRS state contribution rates effective for fiscal year 2016-17 and beyond are summarized in the table below.

As shown in the subsequent table, the state rate will increase to 4.811 percent on July 1, 2017, to continue paying down the unfunded liabilities associated with the benefits structure that was in place 1990 prior to certain enhancements in benefits and reductions in contributions.

Effective Date	Base Rate	AB 1469 Increase For 1990 Benefit Structure	SBMA Funding	Total State Appropriation to DB Program
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017	2.017%	4.811%(2)	2.50%	9.328%
July 2018 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(3)	2.50%	4.517%(3)

(1)This rate does not include $72 million reduction with Education Code 22954
(2)During its April 2017 meeting, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2017.
(3)The CalSTRS board has limited authority to adjust state contribution rates from July 1, 2017, through June 30, 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 would 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.

(Continued)

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

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

At June 30, 2017, 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	$ 120,114,000
State's proportionate share of the net pension liability associated with the District	68,385,000
Total	$ 188,499,000

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. 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, 2016, the District's proportion was 0.149 percent, which was a decrease of 0.007 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of $16,764,411 and revenue of $5,923,988 for support provided by the State. At June 30, 2017, 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	$ -	$ 2,930,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	9,549,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	4,770,000
Contributions made subsequent to measurement date	10,071,247	-
Total	$ 19,620,247	$ 7,700,000

(Continued)

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

$10,071,247 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	$ (1,233,408)
2019	$ (1,233,408)
2020	$ 4,445,216
2021	$ 2,251,800
2022	$ (1,329,700)
2023	$ (1,051,500)

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 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.

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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
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.

(Continued)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in 2012 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-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%	6.30%
Private Equity	13%	9.30%
Real Estate	13%	5.20%
Inflation Sensitive	4%	3.80%
Fixed Income	12%	0.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Cash / Liquidity	2%	1.00%

* 20-year geometric average

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

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	$172,871,000	$120,114,000	$ 76,297,000

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

(Continued)

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

General Information about the Public Employer's Retirement Fund B

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

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained from the CalPERS website.

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.

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, 2017 were as follows:

Members – The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2016-17.

Employers – The employer contribution rate was 13.888 percent of applicable member earnings.

The District contributed $5,081,624 to the plan for the fiscal year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of $57,179,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. 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, 2016, the District's proportion was 0.290 percent, which was a decrease of 0.002 percent from its proportion measured as of June 30, 2015.

(Continued)

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

For the year ended June 30, 2017, the District recognized pension expense of $7,088,301. At June 30, 2017, 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	$ 2,459,000	$ -
Changes of assumptions	-	1,718,000
Net differences between projected and actual earnings on investments	8,872,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	447,500
Contributions made subsequent to measurement date	5,081,624	-
Total	$ 16,412,624	$ 2,165,500

$5,081,624 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	$ 1,219,966
2019	$ 1,406,466
2020	$ 4,223,467
2021	$ 2,315,601

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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods including in the measurement:

Valuation Date	June 30, 2015
Experience Study	June 30, 1997 through June 30, 2011
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

(Continued)

NOTE 9 - 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, 2015 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 Debt Securities	20	0.99%
Inflation Assets	6	0.45%
Private Equity	10	6.83%
Real Estate	10	4.50%
Infrastructure & Forestland	2	4.50%
Liquidity	1	(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 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 9 - 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	$ 85,311,000	$ 57,179,000	$ 33,753,000

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 10 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description: The District provides post-employment healthcare benefits (OPEB) through the Public Agencies Post-Employment Benefits Trust (the "Program") for certain groups of employees who retire from the District. During the year ended June 30, 2006 the District signed an irrevocable trust agreement. The District appointed a Board of Authority with authority to make decisions on behalf of the District with respect to the Trust. Public Agency Retirement Services (PARS) was appointed as the trust administrator, U.S. Bank the trustee. Benefit provisions are established and may be amended by District labor agreements which are approved by the Board of Trustees. The District's contributions to the irrevocable trust is included in the Trust, which is included in the Public Agencies Post-Employment Benefits Trust financial statements. Copies of the Public Agencies Post-Employment Benefits Trust independent financial statements may be obtained from the Public Agency Retirement Services – 4350 Von Karman Ave – Newport Beach, CA 92660.

During the fiscal year ended June 30, 2017 the District elected to remove investment balances totaling $15,999,351 from the fiduciary statements related to the PARS Public Agencies Post-Employment Trust as these balances are already included in the trust's financial statements noted above.

The PARS Public Agencies Post-Employment Trust, which is an Internal Revenue Code (IRC) Section 115 Trust, is set up for the purpose of (i) receiving employer contributions to prefund health and other post-employment benefits for retirees and their beneficiaries, (ii) invest contributed amounts and income therein, and (iii) disburse contributed amounts and income therein, if any, to pay for costs of administration of the fund and to pay for health care costs or other post-employment benefits in accordance with the terms of the District's OPEB plan.

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided: The District provides postemployment health care benefits to employees who retire from the District at the required minimum age for their classification group along with at least 10 years of service for Certificated and Classified retirees. Management and Confidential have a minimum required age of 50 or 55 with at least 5 or 10 years of service depending on option chosen. Benefits are provided by the District on a pay-as-you-go basis. The Plan's benefits are maintained through an agent multiple-employer OPEB plan that is administered by PARS.

Employees Covered by Benefit Term: The following is a table of plan participants at June 30, 2017:

	Number of Participants
Inactive Employees/Dependents Receiving Benefits	430
Inactive Employees/Dependents Entitled to but not yet Receiving Benefits	-
Active Employees	1,266
	1,696

Contributions: Eligible employees are not permitted to make contributions to the Trust. The Plan administrator shall, on behalf of the employer, make all contribution to the Trustee. All contributions shall be paid to the Trustee for investment and reinvestment pursuant to the terms of the trust agreement. The District does not have contractually required contributions rates, but contributes in an amount sufficient to fully fund the Net OPEB obligation over a period not to exceed 30 years. Contributions to the Trust from the District were $900,000 for the year ended June 30, 2017.

OPEB Plan Investments: The plan discount rate of 4.25% was determined using the following asset allocation and assumed rate of return:

Asset Class	Percentage of Portfolio	Rate of Return*
Equity	53%	11.11%
Fixed Income	39%	2.92%
Real Estate	4%	7.05%
Commodities	1%	-24.85%
Cash and Equivalents	3%	.05%

* Geometric average

The discount rate utilized is a blend of the long-term expected rate of return (ROR) to the extent funded and the 20 year municipal bond rate. Specifically, an initial projection is made using the ROR on irrevocable OPEB plan assets and, as long as the plan's net position and projected contributions associated with current participants are expected to fully cover projected benefit payments, this long-term rate may be used. For years in which the net position is not projected to cover projected benefit payments, the discount rate is equal to the 20 year municipal bond yield or index. A single discount rate is then determined as a blend of the two rates, which produces the same discounted present value of benefits as the dual rate calculation. The District's net position was projected to cover projected benefit payments in all years. Therefore, the discount rate is set equal to the long-term expected return on assets of 4.25%.

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions: The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2017
Measurement date	June 30, 2017
Census data	The census was provided by the District as of June 30, 2017
Actuarial cost methods	Entry age actuarial cost method
Investment rate of return	4.25%
Medical claims increase	2.00%
Discount rate	4.25%
Health care cost trend rate	7.00%
Payroll increase	3.00%
Mortality	For certificated employees the 2009 CalSTRS mortality tables were used. For classified employees the 2014 CalPERS active mortality for miscellaneous employees were used.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Total Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, July 1, 2016	$ 35,026,465	$ 13,635,952	$ 21,390,513
Changes for the year:			
Service cost	1,491,292	-	1,491,292
Interest	1,523,921	-	1,523,921
Employer contributions	-	900,000	(900,000)
Change in assumptions	2,119,943	-	2,119,943
Net investment income	-	1,551,934	(1,551,934)
Administrative expense	-	(88,535)	88,535
Benefit payments	(1,290,291)	-	(1,290,291)
Net change	3,844,865	2,363,399	1,481,466
Balance, June 30, 2017	$ 38,871,330	$ 15,999,351	$ 22,871,979

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Fiduciary Net Position as a % of the Total OPEB Liability, at June 30, 2017: 41.2%

For the year ended June 30, 2017, the District recognized OPEB expense of $2,511,347. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 1,836,149
Net differences between projected and actual earnings on investments	764,274	-
Total	$ 764,274	$ 1,836,149

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2018	$ 92,726
2019	$ 92,726
2020	$ 92,726
2021	$ 92,726
2022	$ 283,794
Thereafter	$ 417,177

Sensitivity of the Net OPEB Liability to assumptions: The following presents the net OPEB liability calculated using the discount rate of 4.25 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (3.25 percent) and 1 percent higher (5.25):

	Discount Rate 1% Lower (3.25%)	Valuation Discount Rate (4.25%)	Discount Rate 1% Higher (5.25%)
Net OPEB liability	$ 28,276,088	$ 22,871,979	$ 18,388,646

The following table presents the net OPEB liability calculated using the heath care cost trend rate of 7.0 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percent lower (6.0 percent) and 1 percent higher (8.0 percent):

	Health Care Trend Rate 1% Lower (6.0%)	Valuation Health Care Trend Rate (7.0%)	Health Care Trend Rate 1% Higher (8.0%)
Net OPEB liability	$ 18,045,961	$ 22,871,979	$ 28,987,755

(Continued)

NOTE 11 - COMMITMENTS AND CONTINGENCIES

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

The District has received Federal and State funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect.

Construction Commitments: As of June 30, 2017, the District has approximately $3.3 million in outstanding commitments on construction contracts.

NOTE 12 - JOINT POWERS AGREEMENTS

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

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

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

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

	VIP June 30, 2016	FASBO Sept. 30, 2016
Total assets	$ 21,627,904	$ 3,840,135
Total liabilities	$ 5,390,703	$ 3,883,272
Net position	$ 16,237,201	$ (43,137)
Total revenues	$ 5,277,091	$ 25,352,223
Total expenses	$ 5,582,129	$ 27,002,681
Change in net position	$ (305,038)	$ (1,650,458)

(Continued)

NOTE 13 - OPERATING EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2017.

Functional Classifications	Salaries	Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Equipment Maintenance and Repairs	Financial Aid	Depreciation	Total
Instruction	$ 65,646,121	$ 22,880,223	$ 4,774,057	$ 445,072	$ 137,311	$ -	$ 93,882,784
Academic Support	16,301,265	5,717,313	1,839,876	392,424	32,855	-	24,283,733
Student Services	29,041,573	9,528,710	5,180,899	595,689	2,205,070	-	46,551,941
Operations and Maintenance of Plant	5,310,789	2,776,851	7,847,001	211,381	-	-	16,146,022
Institutional Support Services	12,827,542	8,444,594	6,529,090	2,220,956	3,500	-	30,025,682
Community Services & Economic Development	1,139,573	381,286	1,754,807	67,492	20,800	-	3,363,958
Ancillary Services & Auxiliary Operations	3,351,778	1,316,601	4,379,817	117,605	1,472	10,980	9,178,253
Student Aid	-	-	-	-	64,439,784	-	64,439,784
Depreciation	-	-	-	-	-	10,445,213	10,445,213
	$ 133,618,641	$ 51,045,578	$ 32,305,547	$ 4,050,619	$ 66,840,792	$ 10,456,193	$ 298,317,370

NOTE 14 - SUBSEQUENT EVENT

In September 2017, the District issued Election 2016 General Obligation Bonds, Series A totaling $75,000,000 as authorized by the voters of the District in the election of Measure C on June 7, 2016. The proceeds from the bond issuance will be used to construct and improve the facilities of the District. The bonds will mature through August 2042 and bear interest rates ranging from 2.0% to 5.0%.

In September 2017, the District issued 2017 General Obligation Refunding Bonds (2019 Crossover) totaling $9,130,000. The refunding bonds were issued to refund the Series 2009B Build America Bonds. The refunding bonds mature through August 2033 and bear interest rates ranging from 3.0% to 5.0%.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
For the Year Ended June 30, 2017

Last 10 Fiscal Years

	2017
Total OPEB liability	
Service Cost	$ 1,491,292
Interest	1,523,921
Changes in assumptions	2,119,943
Benefit payments	(1,290,291)
Net change in total OPEB liability	3,844,865
Total OPEB liability, beginning of year	35,026,465
Total OPEB liability, end of year (a)	$ 38,871,330
Plan fiduciary net position	
Employer contributions	$ 900,000
Employee contributions	-
Net investment income	1,551,934
Administrative expense	(88,535)
Benefits payment	-
Change in plan fiduciary net position	2,363,399
Fiduciary trust net position, beginning of year	13,635,952
Fiduciary trust net position, end of year (b)	$ 15,999,351
Net OPEB liability, ending (a) - (b)	$ 22,871,979
Covered payroll	$ 98,270,799
Plan fiduciary net position as a percentage of the total OPEB liability	41.2%
Net OPEB liability as a percentage of covered payroll	23.3%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.

All years prior to 2017 are not available.

STATE CENTER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2017

State Teacher's Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017
District's proportion of the net pension liability	0.152%	0.156%	0.149%
District's proportionate share of the net pension liability	$ 89,044,000	$105,048,000	$120,114,000
State's proportionate share of the net pension liability associated with the District	53,769,000	55,559,000	68,385,000
Total net pension liability	$142,813,000	$160,607,000	$188,499,000
District's covered payroll	$ 67,869,000	$ 72,423,000	$ 74,012,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%

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	2017
District's proportion of the net pension liability	0.311%	0.292%	0.290%
District's proportionate share of the net pension liability	$ 35,271,000	$ 43,009,000	$ 57,179,000
District's covered-employee payroll	$ 32,615,000	$ 32,303,000	$ 34,733,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.14%	133.14%	164.62%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%

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	2017
Contractually required contribution	$ 6,431,132	$ 7,941,453	$ 10,071,247
Contributions in relation to the contractually required contribution	6,431,132	7,941,453	10,071,247
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 72,423,000	$ 74,012,000	$ 80,058,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%

All years prior to 2015 are not available.

(Continued)

Public Employers Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017
Contractually required contribution	$ 3,802,411	$ 4,114,801	$ 5,081,624
Contributions in relation to the contractually required contribution	3,804,411	4,114,801	5,081,624
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 32,303,000	$ 34,733,000	$ 36,590,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%

All years prior to 2015 are not available.

NOTE 1 - PURPOSE OF SCHEDULE

A - Schedule of Changes in Net Other Postemployment Benefits (OPEB) liability

The Schedule of Changes in Net OPEB liability is presented to illustrate the elements of the District's Net OPEB 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.

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, 7.65 and 7.65 percent in the June 30, 2013, 2014 and 2015 actuarial reports, respectively. There were 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 three community college centers, Madera Community College Center, Oakhurst Community College (Outreach) 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, 2017 were composed of the following members:

BOARD OF TRUSTEES

Members	Office	Term Expires
John Leal	President	2020
Bobby Kahn	Vice President	2018
Eric Payne	Secretary	2020
Deborah J. Ikeda	Member	2020
Miguel Arias	Member	2018
Richard M. Caglia	Member	2020
Ronald H. Nishinaka	Member	2018

DISTRICT ADMINISTRATION

Dr. Paul Parnell
Chancellor

Dr. Carole Goldsmith
President - Fresno City College

Dr. Sandra Caldwell
President - Reedley College

Dr. Lori Bennett
President- Clovis Community College

Mr. Edwin Eng
Vice Chancellor - Finance and Administration

Mr. Jerome Countee
Vice Chancellor - Educational Services and Institutional Effectiveness

Ms. Julianna Mosier
Vice Chancellor - Human Resources

STATE CENTER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2017

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	-	$ 1,584,442
Federal Work Study (FWS)	84.033	-	1,010,881
Federal Pell Grants (PELL)	84.063	-	52,490,007
Financial Aid Admin Allowance	84.063	-	188,144
Federal Direct Student Loans	84.268	-	1,395,750
Subtotal Financial Aid Cluster			56,669,224
TRIO Cluster:			
Student Support Services	84.042A	-	1,356,324
Upward Bound	84.047A	-	1,367,838
Upward Bound - Math and Science	84.047M	-	828,248
Subtotal TRIO Cluster			3,552,410
Higher Education Institutional Aid Program:			
Higher Education Institutional Aid - Science, Technology, Engineering, Math Improvement Projects	84.031C	-	665,782
Higher Education Institutional Aid, Title V - COOP	84.031S	-	1,281,989
Subtotal Higher Education Institutional Aid Program			1,947,771
Passed through California Department of Rehabilitation:			
Rehabilitation Services Program			
College to Career	84.126A	H126A160005	192,340
Rehabilitation Services - Workability	84.126A	H126A160005	169,930
Subtotal Rehabilitation Services Program			362,270
Passed through Fresno County Office of Education:			
Race to the Top	84.359A	-	19,713
Passed through California Community College Chancellor's Office:			
Career and Technical Education Program:			
Central Regional Consortium Grant	84.048A	840482662	300,000
CTE Transitions Grant	84.048A	84048282	129,450
Career and Technical Education, Title IC	84.048A	84048292	1,251,367
Subtotal Career and Technical Education Program			1,680,817
Total U.S. Department of Education			$ 64,232,205

(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 Fresno Regional Workforce Investment Board:			
RICO III - WIOA Cluster	17.259	*	$ 17,761
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	93-575042	13,864
Child Care and Development Block Grant	93.575	93-575042	6,368
Child Care and Development Block Grant - Training Consortium	93.575	93-575042	32,755
Child Care and Development Block Grant - Early Child Mentor Program	93.575	93-575042	4,480
Subtotal Child Care Development Fund Cluster			57,467
Temporary Assistance for Needy Families (TANF) Cluster:			
Passed through California Community College Chancellor's Office:			
TANF- CalWORKs	93.558	*	268,266
Passed through Madera County Dept. of Social Services:			
TANF - Vocational Training	93.558	1502CATANF	150,459
Passed through Tulare County Health & Human Services:			
TANF - Tulare CalWORKs Work Study Program	93.558	-	14,900
Passed through Fresno County Health & Human Services:			
TANF - CalWORKs Employment & Temporary Assistance	93.558	1601CATANF	391,426
Subtotal TANF Cluster			$ 825,051

(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)			
Passed through Foundation for California Community Colleges:			
Chafee Foster Care Independence Program - Youth Empowerment Strategies for Success	93.674	15-STD-01223(2551)	$ 21,753
Total U.S. Department of Health and Human Services			904,271
U.S. Department of Agriculture			
Direct Programs:			
Farm Service Agency: Farm Storage Facility Loans	10.056	-	4,190
Farm Service Agency: Farm Operating Loans	10.406	-	8,378
Farm Service Agency: Noninsured Assistance	10.451	-	1,396
Risk Management Education Partnership Program	10.460	-	40,552
Subtotal Increase Access and Technical Assistance and Risk Management Education Partnership Program			54,516
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	*	47,352
Child and Adult Care Food Program - Promoting Integrity NOW (PIN)	10.558	01387	89,366
State Administrative Expenses for Child Nutrition - Mandatory Training	10.558	01387	411,471
State Administrative Expenses for Child Nutrition - Healthy & Active Preschoolers	10.558	01727	73,878
Subtotal Child and Adult Care Food Program			622,067
Passed through California Department of Food and Agriculture:			
California Specialty Crop Program:			
California Specialty Crop - CA Grown Taste of CA	10.170	16-SCBGP-CA-0035	43,824
California Specialty Crop - Export Promotion	10.170	14-SCBGP-CA-0006	96,256
Subtotal California Specialty Crop Program			140,080
Passed through Humboldt State University:			
HIS Education Pathway Grant	10.223	2014-38422-22081	13,658
Total U.S. Department of Agriculture			$ 830,321

(Continued)

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
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	SBAHQ-16-IT-0032	$ 1,133
U.S. Department of Veteran Affairs			
Direct Program:			
Veterans Information and Assistance - Reporting Fees	64.115	-	21,471
U.S. Department of Interior			
Direct Program:			
Native American Graves protection and Repatriation Act Project	15.922	-	64,289
U.S. National Science Foundation			
Direct Program:			
Collections in Support of Biological Research	47.074	-	68,861
U.S. National Aeronautics and Space Administration			
NASA Education Program:			
Direct Program:			
NASA Scholarship Award	43.008	-	2,484
Passed through Napa College			
Rising Data: Flight Project Curriculum for Community College Students	43.008	NNX15AV98A	13,347
Subtotal NASA Education Program:			15,831
Total Federal Programs			$ 66,156,143

* 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, 2017

	Program Revenues				
	Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total	Total Program Expenditures
AB104 Adult Education Block Grant	$ 1,422,262	$ -	$ (690,114)	$ 732,148	$ 732,148
AEBG Data and Accountability	798,202	-	(696,837)	101,365	101,365
Ag Summer Camp - Paramount	69,605	52,807	-	122,412	122,412
Assessment Remediation & Retention for Associated Degree Nursing Program	52,440	-	(31,573)	20,867	20,867
Basic Skills	705,814	-	(333,783)	372,031	371,031
Basic Skills and Student Outcomes Transformation Grant	1,800,000	-	(1,358,586)	441,414	441,414
BFAP	1,566,511	-	(29)	1,566,482	1,566,482
CARE	366,731	-	(3,513)	363,218	363,218
CARE/AB212	-	2,757	-	2,757	2,757
Cal Grants	6,293,185	-	(38,484)	6,254,701	6,254,701
CalWORKs	1,407,519	-	(121,962)	1,285,557	1,285,557
California Apprenticeship Initiative	630,227	179,196	(33,539)	775,884	775,884
CC Promise Innovation Grant Program	1,500,000	-	(1,500,000)	-	-
Career Advancement Academy	19,417	11,636	-	31,053	31,053
CCPT Education Pathway	-	35,794	-	35,794	35,794
CCPT Fresno Healthcare Collaborative	31,172	128,178	-	159,350	159,350
Child Development Block Grant	358,460	-	-	358,460	358,460
Cooperating Agencies Foster Youth Education Support	726,052	-	(6,571)	719,481	719,481
CSEC: Awareness and Identification	4,050	2,700	-	6,750	6,750
CTE Data Unlocked Initiative	233,178	23,229	(102,000)	154,407	154,407
CTE Enhancement Fund	1,001,170	-	-	1,001,170	1,001,170
Deputy Sector Navigator - Communication & Information	125,739	186,952	-	312,691	312,691
Disabled Students Services (DSPS)	3,843,643	-	(494,607)	3,349,036	3,349,036
Doing What Matters: Work-based Resource Hub	7,500	-	-	7,500	7,500
Economic Opportunity Programs and Services (EOPS)	3,102,370	-	(5,285)	3,097,085	3,097,085
Education Planning Initiative (EPI)	210,000	-	(149,695)	60,305	60,305
Enrollment Growth - Associate Degree Nursing Program	351,440	30,560	-	382,000	382,000
Equal Employment Opportunity Fund	60,000	-	-	60,000	60,000
E-Transcript California Mini Grant	67,500	-	(60,794)	6,706	6,706
Foster Care Education	80,172	69,867	-	150,039	15,039
Full Time Student Success Grant (FTSSG)	2,147,949	-	(342,845)	1,805,104	1,805,104
IDRC - Food Safety and Quality Assurance Program	41,490	13,583	-	55,073	55,073
IDRC - Soft Skills Training Grant	163,413	-	-	163,413	163,413
Innovation and Effectiveness Grant	800,000	-	(410,294)	389,706	389,706
Instruction Equipment & Library Fund	1,946,052	-	-	1,946,052	1,946,052
Middle College High School Grant	39,600	65,210	-	104,810	104,810

(Continued)

	Program Revenues				
	Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total	Total Program Expenditures
Peace Officer Standards and Training	$ 32,374	$ 327,562	$ -	$ 359,936	$ 359,936
Prop 39 Clean Energy Workforce Program Improvement Fund	-	127,967	-	127,967	127,967
PUENTE Project	8,000	-	(134)	7,866	7,866
Sector Navigator-Agriculture, Water, & Environment	149,000	218,662	-	367,662	367,662
Scheduled Maintenance & Repair	2,788,377	-	-	2,788,377	2,788,377
Song Brown	70,000	70,000	-	140,000	140,000
Strong Workforce Program	10,734,127	-	(10,360,251)	373,876	373,876
Student Equity Fund	6,472,864	-	(1,435,619)	5,037,245	5,037,245
Student Success (Credit)	11,881,389	-	(3,436,960)	8,444,429	8,444,429
Student Success (Non-credit)	44,194	-	(6,755)	37,439	37,439
Supplemental Educational Support Materials	1,760	8,240	-	10,000	10,000
Textbooks Affordability Program	9,900	-	(9,409)	491	491
WAFC Retail Management Certificate Program	5,000	-	-	5,000	5,000
Westhills Ag Academy	80,442	16,563	-	97,005	97,005
Wonderful (Paramount) Agriculture Career Academy	49,806	5,830	-	55,636	55,636

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, 2017

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2016 only)			
1. Noncredit	38	-	38
2. Credit	807	-	807
B. Summer Intersession (Summer 2016) - Prior to July 1, 2016)			
1. Noncredit	3	-	3
2. Credit	501	-	501
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	19,896	-	19,896
b. Daily Census Contact Hours	1,938	-	1,938
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	313	-	313
b. Credit	1,331	-	1,331
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	1,991	-	1,991
b. Daily Census Contact Hours	499	-	499
c. Noncredit Independent Study/ Distance Education Courses	7	-	7
D. Total FTES	27,324	-	27,324
Supplemental Information:			
E. In-Service Training Courses (FTES)	117	-	117
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	187	-	187
b. Credit	1,853	-	1,853
CCFS 320 Addendum			
CDCP	130	-	130
Centers FTES			
a. Noncredit	136	-	136
b. Credit	4,810	-	4,810

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, 2017

General fund	$ 33,656,530	
Debt service fund	7,057,456	
Special revenue funds	447,448	
Capital projects funds	35,581,325	
Self insurance funds	16,810,196	
Bookstore	6,391,565	
Total fund balances - business-type activity funds		$ 99,944,520
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	$ 286,463,971	
Less: Bookstore fund capital assets	(65,296)	
		286,398,675
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	$ 36,032,871	
Deferred inflows of resources relating to pensions	(9,865,500)	
Deferred outflows of resources relating to OPEB	1,836,149	
Deferred inflows of resources relating to OPEB	(764,274)	
		27,239,246
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.		(1,950,755)
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, 2017 consisted of:		
General Obligation Bonds	(89,195,000)	
Bond premiums	(13,753,942)	
Other postemployment benefits	(22,871,979)	
Net pension liability	(177,293,000)	
Other long-tem liabilities, less bookstore fund	(4,198,764)	
		(307,312,685)
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.		4,149,385
Adjustment to student accounts for uncollectible amounts		(613,022)
Total net position - business-type activities		$ 107,855,364

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, 2017

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 Reported Data	Audit Adjustments	Revised Data	Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional salaries:							
Contract or regular	1100	$ 42,402,753	$ -	$ 42,402,753	$ 42,402,753	$ -	$ 42,402,753
Other	1300	16,922,710	-	16,922,710	16,922,710	-	16,922,710
Total instructional salaries		59,325,463	-	59,325,463	59,325,463	-	59,325,463
Non-instructional salaries:							
Contract or regular	1200	-	-	-	14,482,820	-	14,482,820
Other	1400	-	-	-	2,616,507	-	2,616,507
Total non-instructional salaries		-	-	-	17,099,327	-	17,099,327
Total academic salaries		59,325,463	-	59,325,463	76,424,790	-	76,424,790
Classified Salaries							
Non-instructional salaries:							
Regular status	2100	-	-	-	24,419,428	-	24,419,428
Other	2300	-	-	-	2,231,792	-	2,231,792
Total non-instructional salaries		-	-	-	26,651,220	-	26,651,220
Instructional aides:							
Regular status	2200	2,095,141	-	2,095,141	2,095,141	-	2,095,141
Other	2400	1,068,343	-	1,068,343	1,068,343	-	1,068,343
Total instructional aides		3,163,484	-	3,163,484	3,163,484	-	3,163,484
Total classified salaries		3,163,484	-	3,163,484	29,814,704	-	29,814,704
Employee benefits	3000	20,199,032	-	20,199,032	37,450,580	-	37,450,580
Supplies and materials	4000	-	-	-	1,937,937	-	1,937,937
Other operating expenses	5000	1,192,273	-	1,192,273	14,277,097	-	14,277,097
Equipment replacement	6420	-	-	-	-	-	-
Total expenditures prior to exclusions		$ 83,880,252	$ -	$ 83,880,252	$159,905,108	$ -	$159,905,108

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
For the Year Ended June 30, 2017

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
Exclusions	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	$ 785,641	$ -	$ 785,641	$ 785,641	$ -	$ 785,641
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	-	-	-
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	507,375	-	507,375
Objects to exclude:							
Rents and leases	5060	-	-	-	98,749	-	98,749
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	7,720	-	7,720
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	1,242	-	1,242
Supplies and materials:	4000						
Software	4100	-	-	-	-	-	-
Books, magazines and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	7,072	-	7,072
Noninstructional supplies and materials	4400	-	-	-	63,986	-	63,986
Total supplies and materials		-	-	-	71,058	-	71,058
Other operating expenses and services	5000	-	-	-	2,178,062	-	2,178,062
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Equipment:	6400						
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	-	-	-
Total capital outlay		-	-	-	-	-	-
Other outgo	7000	-	-	-	-	-	-
Total exclusions		$ 785,641	$ -	$ 785,641	$ 3,649,847	$ -	$ 3,649,847
Total for ECS 84362, 50% Law		$ 83,094,611	$ -	$ 83,094,611	$ 156,255,261	$ -	$ 156,255,261
Percent of CEE (instructional salary cost /Total CEE)		53.18%	-	53.18%	100%	-	100%
50% of current expense of education					$ 78,127,630	$ -	$ 78,127,630

See accompanying notes to supplementary information.

EPA Proceeds: $ 23,438,477

Activity Classification	Activity Code (0100-5900)	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities		$ 23,438,477	$ -	$ -	$ 23,438,477

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		$ 13,784,799
Non-operating revenues		52,490,007
Total Federal revenues		66,274,806
Less: Federal reimbursement of interest paid Build America Bonds	N/A	(118,663)
Total Federal Expenditures, Schedule of Expenditure of Federal Awards		$ 66,156,143

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 55 EPA Expenditures Report

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

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT
ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
State Center Community College District
Fresno, California

Report on Compliance with State Laws and Regulations

We have audited the compliance of State Center Community College District with the types of compliance requirements described in Section 400 of the California State Chancellor's Office's *California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2017:

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
Dual Enrollment of K-12 Students in Community College Credit Courses
Student Equity
Student Success and Support Program (SSSP)
Scheduled Maintenance Program
Gann Limit Calculation
Open Enrollment
Proposition 39 Clean Energy
Intersession Extension Program
Disabled Student Programs and Services (DSPS)
To Be Arranged Hours (TBA)
Proposition 1D and 51 State Bond Funded Projects
Proposition 55 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 compliance requirements referred to above that are applicable to the state laws and regulations for the year ended June 30, 2017.

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, 2017

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, 2017, 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, 2017.

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, 2017

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, 2017. 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 federal statues, regulations, and the terms and conditions of its federal awards 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, 2017.

(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, 2017

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

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,984,684	
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

No matters were reported.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
2016-001		
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.	Implemented.	
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.		