STATE CENTER COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
June 30, 2018

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FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
State Center Community College District
Fresno, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of State Center Community College District, as of and for the year ended June 30, 2018, 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, 2018, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 14 and Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liability, Schedule of Changes in Total 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 52 to 57 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, 2018 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 LLP

Sacramento, California
December 19, 2018

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, 2018. 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 1.7 million people and 22 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 36,000 students annually and offers 95 academic areas of study where students can earn an associate degree in arts, science, transfer, or certificates in career technical education. Reedley College, established in 1926, is located in Reedley (approximately 25 miles southeast of Fresno) and enrolls approximately 16,350 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 one of the system's newest colleges in July 2015 and enrolls nearly 10,870 students. Clovis provides comprehensive educational opportunities for basic skills development, associate degrees, certificates for workforce development, and transfer degrees. In addition, the District operates three educational campuses. The Madera and Oakhurst centers offer programs in general education for transfer and two-year degrees. Fresno City College offers occupational and technical training at its Career and Technology Center. The District provides non-credit training programs that can quickly respond to the business and industry training needs of the region offered through the Training Institute.

ACCOUNTING STANDARDS

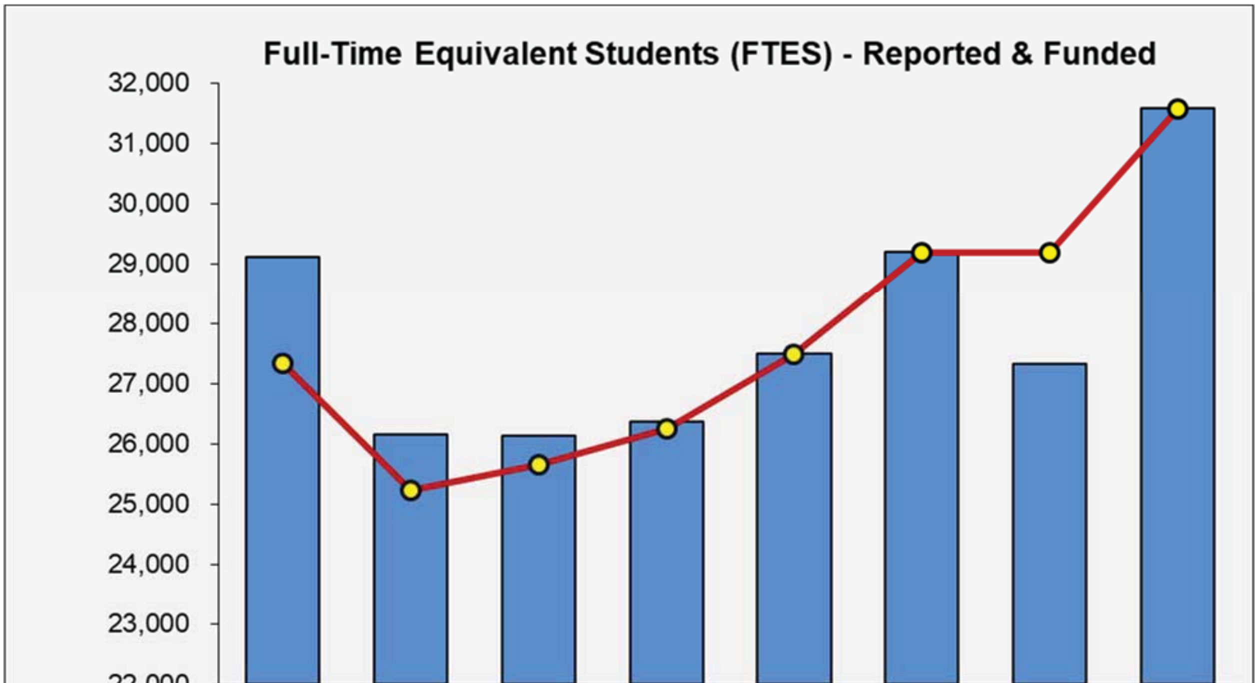
As required by the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments," and GASB Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges 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 2017-18, the community college system was allocated growth funding of approximately $58 million or a 1% increase in funded FTES over the previous year. Based on the CCFS-320 RECALC report, the District reported 31,568 resident FTES for the 2017-18 fiscal year, up from the 29,194 FTES funded in fiscal year 2016-17. The community college system also received a 1.56% cost of living adjustment (COLA) increase for fiscal year 2017-18.

The California Community College system provided a one-time allocation of $32 million for payment of mandated costs/claims. The District's share of this amount was approximately $838 thousand. Additionally, the Chancellor's Office provided a base funding increase of $183.6 million, which provided approximately $4.9 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:



	10-11	11-12	12-13	13-14	14-15	15-16	16-17 Stability	17-18 Est.
Reported	29,114	26,159	26,125	26,375	27,484	29,194	27,324	31,568
Funded	27,325	25,236	25,645	26,244	27,484	29,194	29,194	31,568
% Chg	2.68%	-7.65%	1.62%	2.34%	4.72%	6.22%	0.00%	8.13%

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 the Center for Agriculture and Technology Building. 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 – Completion of Academic Village I
- Madera Community College Center – Center for Agriculture and Technology
- Reedley College – Math Science & Engineering
- Fresno City College – Preliminary Stages of Parking, West Fresno Campus, Science Building, and First Responders Academies
- District Office – relocation, secondary effects of FCC parking

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) and investments increased nearly $106.2 million, the majority being $61.1 million in capital project funds from the bonds issued during the fiscal year, along with $30.0 million held in debt service funds. An increase in restricted state program deferred revenue of $6.5 million. Additionally, $3.75 million is being set aside in the county treasury retiree benefits fund to address future STRS/PERS pension rate increases and OPEB obligations.
- Short-term receivables increased $4.9 million due to greater receivables in state apportionment, restricted grant programs, and bookstore sales.
- An increase of nearly $33.1 million in net capital assets which is offset by an increase in the accumulated depreciation expense of approximately $11.0 million, yielding an overall increase in net capital assets of $22.1 million.
- Accounts payable and current liabilities increased by $9.9 million related to increases in end of year vouchers payable, a one-time, off-schedule payroll distribution, and related employee benefits payable.
- Unearned revenues increased by $6.5 million, primarily related to state grant funds carrying over to the next fiscal year. The most significant programs increases are Strong Workforce Program (+$5.7m), Guided Pathways (+$940K), Adult Education Consortium (+$300k), and Basic Skills Student Outcomes Transformation (+$280k). Programs that decreased in deferred revenue balances are California Promise (-$700k).
- Long-term liabilities increased overall by approximately $134.8 million. The District's net general obligation bonds increased by $87.4 million due to bond issuance, refunding debt, and annual debt service payments. Net pension liability increased by $30.3 million based on the STRS/PERS pension plan actuarial valuations. The District's OPEB liability increased by $17.5 million, which is based on the District's most recent OPEB valuation reports. Deferred outflows of resources increased by $46.1 million and deferred inflows of resources increased by $4.4 million as a result of the calculated values attributable to the GASB 68 and 75 reporting requirements; see audit report footnotes 9, 10, and 11.

Statement of Net Position (Continued)

Condensed financial information is as follows:

	As of June 30th (in thousands)			
ASSETS:	**2018**	**2017**	$ Change	% Change
CURRENT ASSETS				
Cash, Investments, and Short-Term Receivables	$ 145,201	$ 106,097	$ 39,104	36.9%
Inventory and Prepaid Expenses	4,033	3,934	99	2.5%
TOTAL CURRENT ASSETS	$ 149,234	$ 110,031	$ 39,203	35.6%
NON-CURRENT ASSETS				
Restricted Cash	$ 111,761	$ 39,742	$ 72,019	181.2%
Capital Assets, Net of Depreciation	308,554	286,464	22,090	7.7%
TOTAL NON-CURRENT ASSETS	$ 420,315	$ 326,206	$ 94,109	28.8%
TOTAL ASSETS	$ 569,549	$ 436,237	$ 133,312	30.6%
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Outflows of Resources - Pension	$ 67,295	$ 36,033	$ 31,262	86.8%
Deferred Outflows of Resources - OPEB	16,695	1,836	14,859	809.3%
Deferred Loss from Refunding of Debt	2,800	4,149	(1,349)	-32.5%
	$ 86,790	$ 42,018	$ 44,772	106.6%
TOTAL ASSETS & DEFERRED OUTFLOWS	$ 656,339	$ 478,255	$ 178,084	37.2%
LIABILITIES:				
CURRENT LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 29,940	$ 20,047	$ 9,893	49.3%
Unearned Revenue	37,805	31,322	6,483	20.7%
Amount Held in Trust on Behalf of Others	1,003	985	18	1.8%
Compensated Absences Payable	3,445	3,529	(84)	-2.4%
Long Term Liabilities	17,630	3,869	13,761	355.7%
TOTAL CURRENT LIABILITIES	$ 89,823	$ 59,752	$ 30,071	50.3%
NON-CURRENT LIABILITIES				
Long-Term Liabilities	$ 421,076	$ 300,018	$ 121,058	40.4%
TOTAL LIABILITIES	$ 510,899	$ 359,770	$ 151,129	42.0%
DEFERRED INFLOWS OF RESOURCES:				
Deferred Inflows of Resources - Pension	$ 13,971	$ 9,866	$ 4,105	41.6%
Deferred Inflows of Resources - OPEB	1,060	764	296	38.7%
	$ 15,031	$ 10,630	$ 4,401	41.4%
NET POSITION:				
Net Investment in Capital Assets	$ 182,095	$ 187,664	$ (5,569)	-3.0%
Restricted for Expendable Purposes	89,009	62,158	26,851	43.2%
Unrestricted	(140,695)	(141,967)	1,272	-0.9%
TOTAL NET POSITION	$ 130,409	$ 107,855	$ 22,554	20.9%
TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION	$ 656,339	$ 478,255	$ 178,084	37.2%

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.

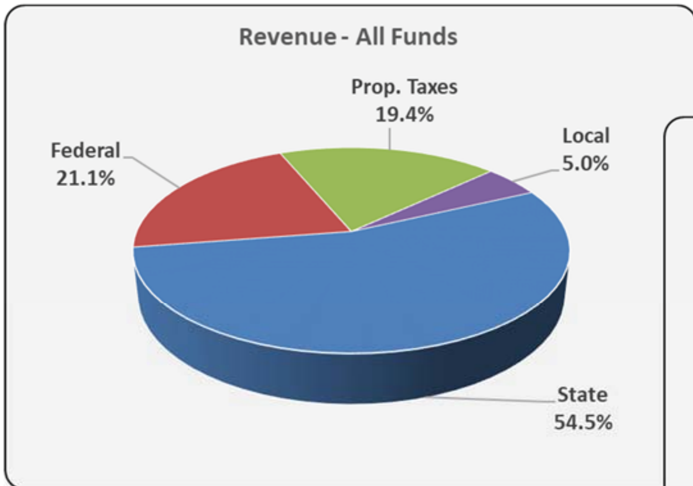
Condensed financial information is as follows:

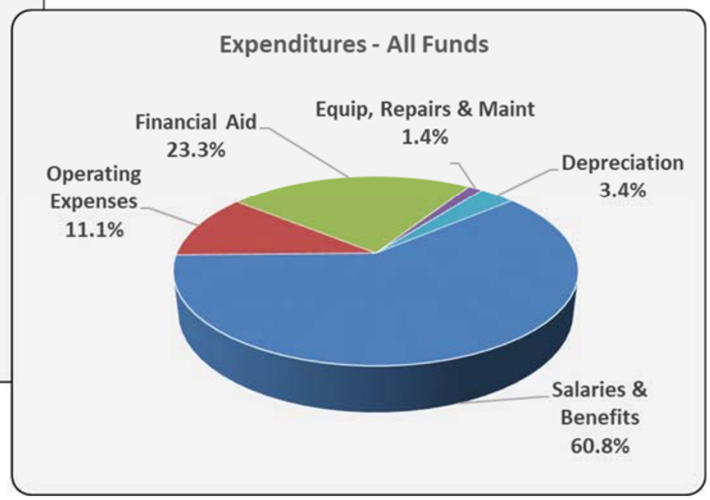
	For the years Ended June 30th (in thousands)			
	2018	**2017**	$ Change	% Change
OPERATING REVENUES				
Tuition & Fees	$ 13,980	$ 13,992	$ (12)	-0.1%
Grants & Contracts, Non-Capital	71,255	61,266	9,989	16.3%
Auxillary Enterprises & Other Operating Revenues	5,596	4,818	778	16.1%
TOTAL OPERATING REVENUES	$ 90,831	$ 80,076	$ 10,755	13.4%
OPERATING EXPENDITURES				
Salaries and Benefits	$ 203,336	$ 184,564	$ 18,772	10.2%
Supplies, Maintenance & Other Operating Expenses	41,892	36,356	5,536	15.2%
Financial Aid	78,004	66,841	11,163	16.7%
Depreciation	10,996	10,456	540	5.2%
TOTAL OPERATING EXPENDITURES	$ 334,228	$ 298,217	$ 36,011	12.1%
OPERATING (LOSS)	$ (243,397)	$ (218,141)	$ (25,256)	11.6%
NON-OPERATING REVENUES (EXPENSES)				
State Apportionment	$ 124,114	$ 109,905	$ 14,209	12.9%
Property Taxes	68,729	52,146	16,583	31.8%
State Revenues	14,100	14,422	(322)	-2.2%
Pell Grant	60,370	52,490	7,880	15.0%
Net Interest Income / (Expense)	(3,759)	(3,886)	127	-3.3%
Other Non-Operating Revenue / (Expense)	2	(8)	10	-125.0%
TOTAL NON-OPERATING REVENUES (EXPENSES)	$ 263,556	$ 225,069	$ 38,487	17.1%
(LOSS) / INCOME BEFORE OTHER REV AND EXP	$ 20,159	$ 6,928	$ 13,231	191.0%
CAPITAL REVENUE				
Federal, State and Local Capital Income	$ 2,395	$ 683	$ 1,712	250.7%
(DECREASE) / INCREASE IN NET POSITION	$ 22,554	$ 7,611	$ 14,943	196.3%
NET POSITION, BEGINNING	$ 107,855	$ 121,693	$ (13,838)	-11.4%
Cummulative effect of GASB 75 Implementation		(21,449)	21,449	-100.0%
NET POSITION, ENDING	$ 130,409	$ 107,855	$ 22,554	20.9%

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

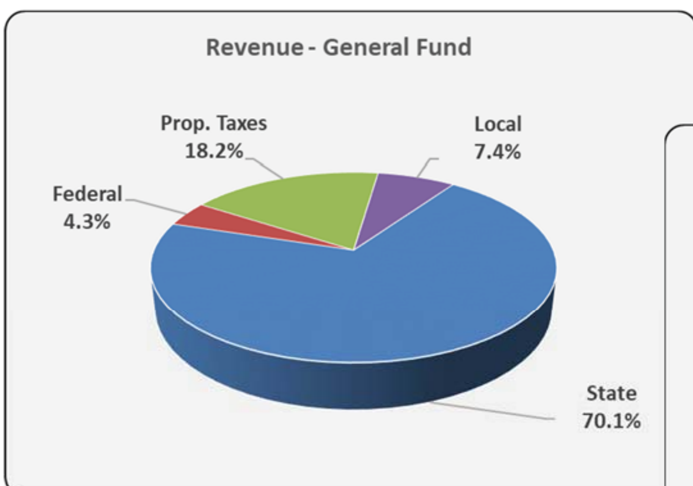
The District relies heavily on state apportionment, property taxes, federal grants, and state categorical programs to meet the needs of its students. It is important to understand the sources and uses of these funds. The following graphs depict the District's major revenue sources and expenditures for 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.

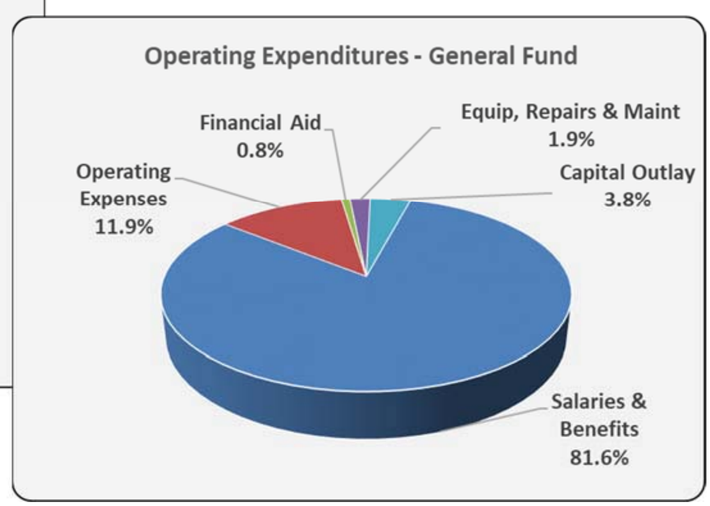
<u>Districtwide (All Funds Combined)</u>





<u>General Fund</u>





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

Highlights of the major changes include:

- Grant program activity increased nearly $10.0 million from the prior year. Significant increases/decreases in funding include:
  - Strong Workforce Program $4.8 million
  - SSSP/Student Equity $1.8 million (now called SEA)
  - Full-Time Student Incentive Grant $1.7 million
  - Cal Grants $1.2 million
  - Adult Education Consortium $785,000
  - EOP&S/CARE $540,000
  - CalWorks $260,000
  - Instructional Equipment/Schedule Maintenance reduced $3.2 million

- Salary and benefits expenditures increased by $18.8 million due to the effects of step and column increases, STRS and PERS employer pension rate increases, one-time bonus payment, GASB 68 pension liability expense, and increases in faculty and staff to support campus operations and student service grants/programs. Unrestricted wages and benefits increased by $12.2 million (8.4% increase), restricted program wages and benefits accounted for $3.7 million (11.9% increase), and the GASB 68 pension expense, along with GASB 75 retiree benefits expense, increased by $2.9 million.

- Supplies, maintenance, and other operating expenditures increased by $5.5 million. Contracted services in the restricted grant funds accounted for most of the cost increase, nearly $3.6 million. Unrestricted contract services increased just over $600 thousand.

- Financial aid expenditures increased by approximately $11.1 million, due to additional financial aid resources. Pell grants increased by $7.9 million, full-time incentive grants increased $1.7 million, and CAL-grants increased $1.2 million.

- State apportionment funding increased $14.2 million. The significant increases are a result of district enrollment growth of $8.4 million, base allocation increase of $4.9 million, and a cost of living increase of $2.4 million. Apportionment funding is offset by increases in property taxes of $2.1 million.

- Property taxes increased $16.6 million primarily due to the issuance of the first series of the 2016 general obligation bond authorization and growth in the District's assessed valuation.

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)		
	2018	**2017**	$ Change
Cash provided by (used in)			
Operating activities	$ (212,373)	$ (197,257)	$ (15,116)
Non-capital financing activities	265,366	232,171	33,195
Capital financing activities	52,220	(13,286)	65,506
Investing activities	(9,342)	1,024	(10,366)
Net increase/(decrease) in cash	$ 95,871	$ 22,652	$ 73,219
Cash, Beginning of Year	$ 131,652	$ 109,000	$ 22,652
Cash, End of Year	$ 227,523	$ 131,652	$ 95,871

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 a nine-year growth cycle. Therefore, the likelihood of an economic downturn sometime in the near future is anticipated given the history of economic cycles. Over the past several years, the community college system has provided districts with some significant increases in resources, especially in fiscal year 2018-19 with the significant change in the funding formula. Unfortunately, California's revenue model relies heavily on the top 1% of earners who provide 50% of the tax revenue, which is correlated to the gains and losses of the stock market. Recently, the stock market has been on a downward trajectory, which could affect state revenues in the coming year. Because of the tie to the market, California funding has had a tendency for boom and bust cycles 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 be prepared 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

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 2018, 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 $706.31 per month depending on the plan selected.

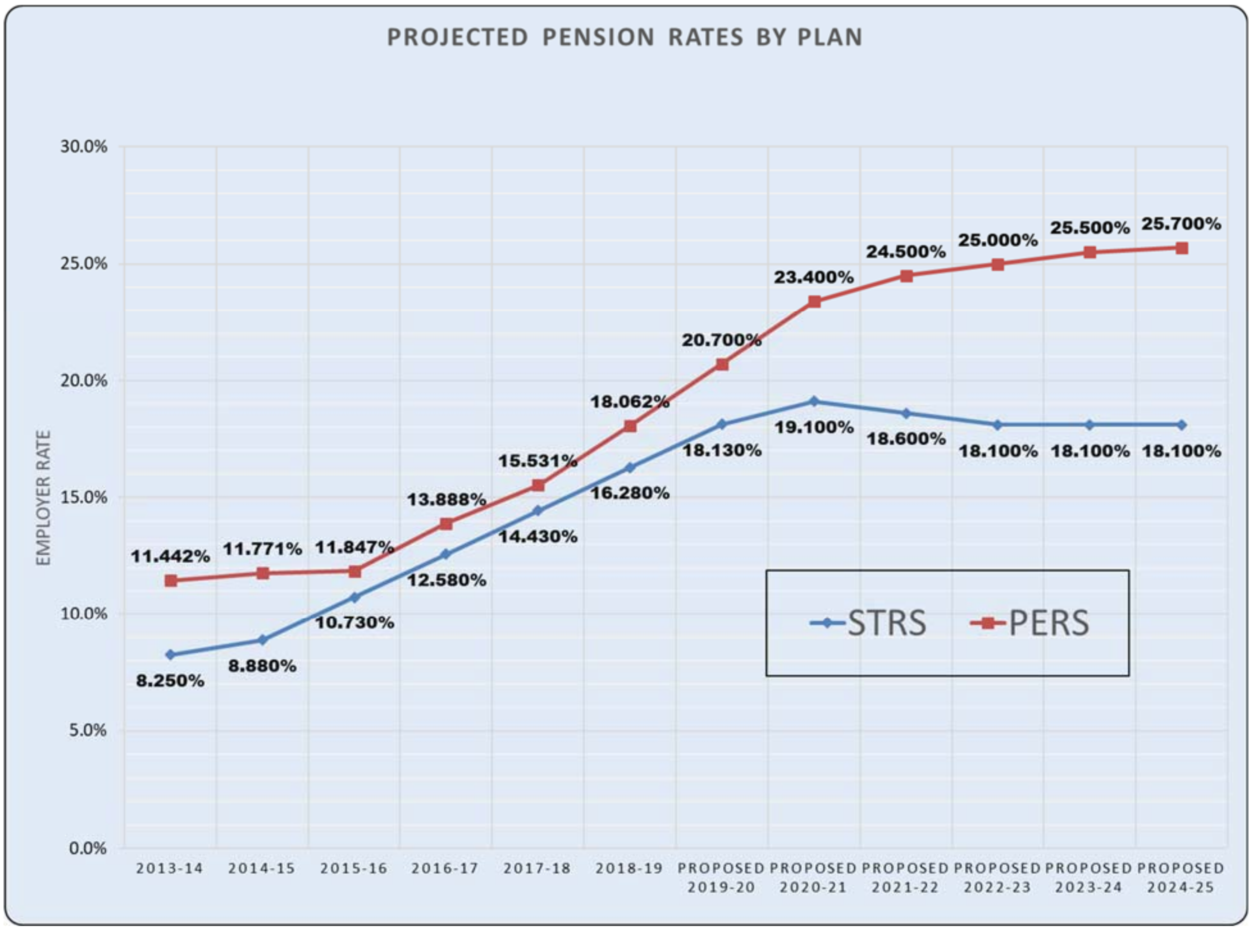
New Funding Formula

For the 2018-19 fiscal year, the State legislated a new Student Centered Funding Formula (SCFF). In the past, the majority of district funding was based on full-time equivalent students and the number of colleges and centers within the District. The new funding formula brakes funding down into three major components: 70% for the base allocation funding, using the prior model methodology; 20% for supplemental funding; and 10% for success. Within the supplemental allocation, each college is provided funding for each student receiving a Pell Grant, being an AB540 student, or receiving a California College Promise Grant—formerly called a BOG Fee Waiver. The success allocation provides funding for a variety of student success measures awarded at varying point levels. For example, students earning an Associate Degree for Transfer yields the highest value. In addition, if the successful student receives either a Pell Grant or Promise Grant the District receives extra funding.

The formula begins in 2018-19 at the ratios of 70% base / 20% supplemental / 10% success, and transitions in 2019-20 to 65% / 20% / 15% and finally in 2020-21 to 60% / 20% / 20%. In 2018-19, the District expects to receive an additional $13.6 million as a result of the SCFF. If no other factors change, the ongoing increase is anticipated to be $11.9 million more in 2020-21 than the in 2017-18 budget.

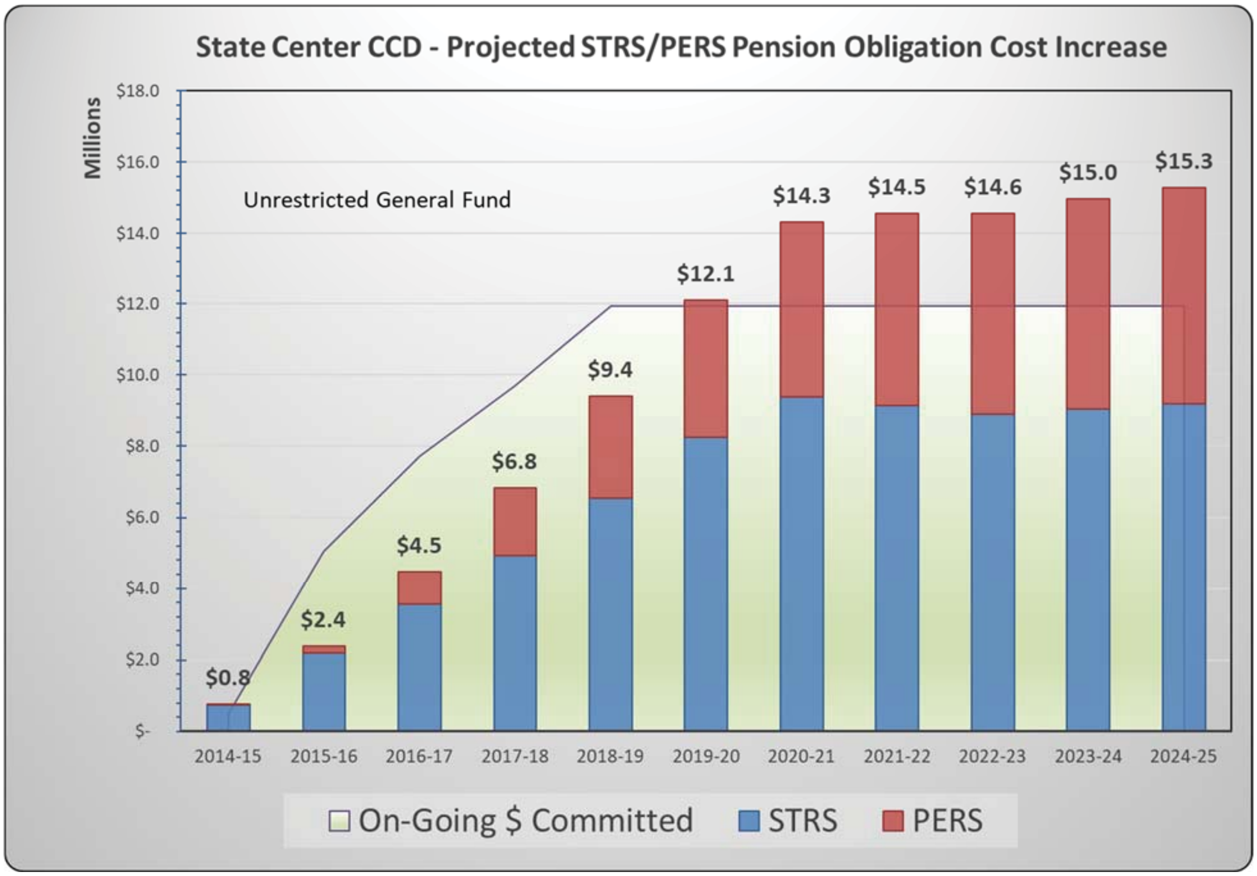
Pension Liability

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 2018-19, the employer contribution rate rises to 18.062%. 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 2018-19 increases to 16.28%. The table below shows the historical and proposed 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 2018-19 state budget provided adequate resources for our district to address the current year's pension rate increases. At the September 2018 board meeting, district administration recommended and the Board approved as part of the District's final budget the continued funding (setting aside) of $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 total amount of on-going funding committed to-date as of the 2018-19 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 affects the District's ability to establish reliable, long-term budget planning. However, our District will continue to reflect on its mission, evaluate the level of services provided, and assess what services are required to meet the needs of an increasingly diverse population of students seeking educational opportunities. The Board of Trustees and district administration have established fiscally prudent management practices to ensure we strategically manage our financial resources to meet the current and future needs of our students, community and District.

STATE CENTER COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

ASSETS	
Current assets:	
Cash and cash equivalents	$ 115,762,473
Investments	10,374,923
Receivables, net	19,064,354
Prepaid expenses	1,105,133
Stores inventories	2,927,296
Total current assets	149,234,179
Noncurrent assets:	
Restricted cash and cash equivalents	111,760,228
Non-depreciable capital assets	47,878,759
Depreciable capital assets, net	260,676,494
Total noncurrent assets	420,315,481
Total assets	569,549,660
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions	67,294,931
Deferred outflows of resources - OPEB	16,695,265
Deferred outflows of resources - loss from refunding bonds	2,799,556
Total deferred outflows of resources	86,789,752
Total assets and deferred outflows of resources	$ 656,339,412
LIABILITIES	
Current liabilities:	
Accounts payable	$ 29,940,325
Unearned revenue	37,804,854
Due to fiduciary funds	1,002,525
Compensated absences payable	3,444,998
Long-term liabilities - current portion	17,629,844
Total current liabilities	89,822,546
Noncurrent liabilities:	
Long-term liabilities - noncurrent portion	421,076,416
Total liabilities	510,898,962
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	13,971,000
Deferred inflows of resources - OPEB	1,060,244
Total deferred inflows of resources	15,031,244
NET POSITION	
Net investment in capital assets	182,094,691
Restricted for:	
Capital projects and debt service	64,979,414
Educational programs	2,699,745
Self insurance	20,856,215
Other activities	474,440
Unrestricted	(140,695,299)
Total net position	130,409,206
Total liabilities, deferred inflows of resources and net position	$ 656,339,412

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, 2018

Operating revenues:	
Tuition and fees	$ 41,846,972
Less: scholarship discounts and allowances	(27,867,376)
Net tuition and fees	13,979,596
Grants and contracts, non-capital:	
Federal	14,395,526
State	55,001,162
Local	1,858,461
Auxiliary enterprise sales and charges:	
Bookstore	2,172,037
Cafeteria	1,013,748
Other operating local revenues	2,410,172
Total operating revenues	90,830,702
Operating expenses:	
Salaries	143,777,498
Employee benefits	59,559,093
Supplies, materials, and other operating expenses and services	37,096,336
Equipment, maintenance and repairs	4,795,554
Student aid	78,004,239
Depreciation	10,995,783
Total operating expenses	334,228,503
Loss from operations	(243,397,801)
Non-operating revenues (expenses):	
State apportionment, non-capital	124,114,326
Local property taxes	68,728,626
State taxes and other revenues	14,100,159
Pell grants	60,370,064
Investment income, net	2,136,800
Interest expense on capital asset-related debt, net	(5,895,700)
Other nonoperating (expenses) revenues	2,198
Total non-operating revenues (expenses)	263,556,473
Income before capital revenues	20,158,672
Capital revenues:	
State property taxes and revenues	1,914,406
Local property taxes and revenues	480,764
Total capital revenues	2,395,170
Change in net position	22,553,842
Net position, July 1, 2017	107,855,364
Net position, June 30, 2018	$ 130,409,206

See accompanying notes to financial statements.

STATE CENTER COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

Cash flows from operating activities:	
Tuition and fees	$ 13,959,707
Grants and contracts	69,763,648
Other local revenue	2,410,172
Payments of scholarships and grants	(78,004,239)
Payments to suppliers and vendors	(26,357,114)
Payments to and on behalf of employees	(196,393,403)
Auxiliary enterprises sales and charges	2,247,683
Net cash used in operating activities	(212,373,546)
Cash flows from noncapital financing activities:	
State appropriations	122,324,542
Local property taxes	68,728,626
State taxes and other revenues	14,101,649
Pell grants	60,370,064
Other receipts	(158,607)
Net cash provided by noncapital financing activities	265,366,274
Cash flows from capital and related financing activities:	
State apportionments for capital purposes	1,914,406
Capital grants received	480,764
Proceeds from capital debt	91,181,397
Purchase of capital assets	(33,095,137)
Principal paid on capital debt	(3,080,000)
Interest paid on capital debt, net	(5,181,568)
Net cash provided by capital and related financing activities	52,219,862
Cash flows from investing activities:	
Purchase of investments	(10,458,358)
Investment income	1,116,484
Net cash used in investing activities	(9,341,874)
Change in cash and cash equivalents	95,870,716
Cash and cash equivalents, July 1, 2017	131,651,985
Cash and cash equivalents, June 30, 2018	$ 227,522,701

(Continued)

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (243,397,801)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	10,995,783
Changes in assets and liabilities:	
Receivables, net	(1,931,300)
Prepaid expenses	(548,727)
Inventories	450,641
Deferred outflows of resources - pensions	(31,262,060)
Deferred inflows of resources - pensions	4,105,500
Deferred outflows of resources - loss from refunding bonds	1,349,829
Accounts payable and accrued liabilities	8,632,127
Unearned revenue	6,482,543
Long-term disability liability and compensated absences	(456,789)
Net pension liability	30,306,000
Deferred inflows of resources - OPEB	295,970
Deferred outflows of resources - OPEB	(14,859,116)
Cash In-Lieu liability	17,463,854
Net cash used in operating activities	$ (212,373,546)
Supplemental disclosure of non-cash transactions:	
Amortization of debt premiums	$ 678,951
Amortization of deferred loss on refunding	$ 1,349,828
Additions to capital assets - increase in accounts payable	$ 463,152

STATE CENTER COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

	Student Trust Funds	Student Agency Funds
ASSETS		
Cash and cash equivalents	$ 800	$ 486,462
Receivables, net	1,562	686
Due from other funds	481,621	520,904
Total assets	$ 483,983	$ 1,008,052
LIABILITIES		
Accounts payable	$ 5,599	$ 82,110
Unearned revenue	33,208	-
Due to student groups	-	925,942
Total liabilities	$ 38,807	$ 1,008,052
NET POSITION		
Total net position held in trust for students	$ 445,176	

See accompanying notes to financial statements.

STATE CENTER COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2018

	Student Trust Funds
Additions:	
Student fees	$ 75,646
Sales of goods and services	99,655
Contributions and other revenues	227,662
Total additions	402,963
Deductions:	
Supplies, materials and other operating costs	87,441
Equipment, maintenance and repairs	4,189
Student aid	202,601
Total deductions	294,231
Net increase	108,732
Net position held in trust:	
Net position, July 1, 2017	336,444
Net position, June 30, 2018	$ 445,176

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, 2018.

Inventory: Inventory consists of stores supplies, cafeteria food, textbooks and educational supplies. Except for bookstore inventories, which are valued using the retail method, inventories are stated at the lower of cost (first-in, first-out method) or market.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets are recorded at cost at the date of acquisition or, if donated, at acquisition value at the date of donation. For equipment, the District's capitalization policy included all furniture, equipment or vehicles with a unit cost of $5,000 or more and $49,000 for buildings and improvements. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 – 50 years depending on asset type.

The District capitalizes interest paid on obligations related to the acquisition, construction or rehabilitation of District capital assets. Interest cost and interest capitalized totaled $5,895,700 and $98,599, respectively, for the year ended June 30, 2018.

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 deferred inflow of resources related to the recognition of the pension liability and OPEB liability reported 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	$ 45,582,468	$ 21,712,463	$ 67,294,931
Deferred inflows of resources	$ 12,455,000	$ 1,516,000	$ 13,971,000
Net pension liability	$ 136,771,000	$ 70,828,000	$ 207,599,000
Pension expense	$ 14,623,999	$ 13,957,124	$ 28,581,123

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, 2018, 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.

(Continued)

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 2018, consisted of the following:

	District	Fiduciary
Pooled Funds:		
Cash in County Treasury	$ 108,696,757	$ 43,665
Deposits:		
Cash on hand and in banks	7,065,716	443,597
Cash held by Fiscal Agent	111,760,228	-
Total cash and cash equivalents	227,522,701	487,262
Less: restricted cash and cash equivalents		
Cash held by Fiscal Agent	111,760,228	-
Total restricted cash and cash equivalents	111,760,228	-
Net cash and cash equivalents	$ 115,762,473	$ 487,262

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.

Cash with Fiscal Agent: The District's Cash with Fiscal Agent of $111,760,228 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, 2018, the carrying amount of the District and Fiduciary's accounts was $7,509,313, and the bank balances were $9,894,212, of which $9,106,341 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, 2018, 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, 2018, the District had no concentration of credit risk.

Investments: District investments at June 30, 2018 consisted of the following:

US Treasury Notes	$ 10,373,572
Mutual funds	1,351
Total investments	$ 10,374,923

In September 2017, the District issued crossover refunding bonds and the bond proceeds were deposited into an irrevocable escrow fund to be funded, invested and held. Amounts held in the escrow fund will be applied to (a) pay interest due on the 2017 Refunding Bonds to and including the crossover date, and (b) on the crossover date, pay the redemption price of the refunded prior bonds. At June 30, 2018, the amounts held in the escrow fund totaled $10,373,572.

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

The following presents information about the District's assets measured at fair value on a recurring basis as of June 30, 2018, and indicates the fair value hierarchy of the valuation techniques utilized by the District to determine such fair value based on the hierarchy:

Level 1 – Quoted market prices or identical instruments traded in active exchange markets.

Level 2 – Significant other observable inputs such as quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

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

The District is required or permitted to record the following assets at fair value on a recurring basis:

	2018			
Description	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury Notes	$ 10,373,572	$ -	$ 10,373,572	$ -
Mutual Funds	1,351	1,351	-	-
	$ 10,374,923	$ 1,351	$ 10,373,572	$ -

The District's investments are generally classified in Level 2 of the fair value hierarchy because they are valued using broker or dealer quotations, or alternative pricing sources with reasonable level of price transparency. US Treasury Notes are valued based on observable inputs and is classified within level 2 of the fair value hierarchy.

The District had no non-recurring assets and no liabilities at June 30, 2018 which were required to be disclosed using the fair value hierarchy.

Investment Interest Rate Risk: The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Maturities of investments held at June 30, 2018 consist of the following:

	Maturity			
	Fair Value	Less Than One Year	One Year through Five Years	Six Years through Ten Years
Investment securities:				
U.S. Treasury Notes	$ 10,373,572	$ 248,076	$ 10,125,496	$ -
Mutual Funds*	1,351	-	-	-
Total	$ 10,374,923	$ 248,076	$ 10,125,496	$ -

*Maturities of investments held in mutual funds varies and is not included in the maturity table above.

(Continued)

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

Investment Credit Risk: The District's investment policy limits investment choices to obligations of the United States Treasury, sweep accounts and trustee banks and guaranteed investment contracts. At June 30, 2018, all investments represented U.S. Treasury Notes which were issued, registered and held by the Escrow Agent.

Concentration of Investment Credit Risk: At June 30, 2018, the District had $10,373,572 in U.S. Treasury Notes that represented more than five percent of the District's total investments.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2018 are summarized as follows:

	District	Fiduciary
Federal	$ 3,492,503	$ -
State	6,256,887	-
Local and other	9,714,964	2,248
	19,464,354	2,248
Less allowance for doubtful accounts	(400,000)	-
	$ 19,064,354	$ 2,248

NOTE 4 - CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Non-depreciable:				
Land	$ 31,646,516	$ 6,033,423	$ -	$ 37,679,939
Construction in progress	2,881,515	7,317,305	-	10,198,820
Depreciable:				
Land improvements	30,429,287	440,934	-	30,870,221
Buildings and improvements	308,658,846	15,363,283	-	324,022,129
Furniture and equipment	27,908,441	3,433,689	(96,499)	31,245,631
Vehicles	1,628,304	506,503	(21,128)	2,113,679
Total	403,152,909	33,095,137	(117,627)	436,130,419
Less accumulated depreciation:				
Land improvements	9,837,570	1,372,537	-	11,210,107
Buildings and improvements	92,471,923	7,043,503	-	99,515,426
Furniture and equipment	13,344,171	2,453,470	(76,327)	15,721,314
Vehicles	1,035,274	126,273	(33,228)	1,128,319
Total	116,688,938	10,995,783	(109,555)	127,575,166
Capital assets, net	$ 286,463,971	$ 22,099,354	$ (8,072)	$ 308,555,253

(Continued)

NOTE 5 - UNEARNED REVENUE

Unearned revenue at June 30, 2018 consisted of the following:

	District	Fiduciary
Unearned Federal and State revenue	$ 28,665,049	$ -
Unearned tuition and student fees	8,010,928	-
Unearned local grant revenue and other	1,128,877	33,208
Total unearned revenue	$ 37,804,854	$ 33,208

NOTE 6 - LONG-TERM LIABILITIES

General Obligation Bonds: 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, 2018, $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, 2018, the principal outstanding was $875,000.

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2009A outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 415,000	$ 30,443	$ 445,443
2020	460,000	9,775	469,775
	$ 875,000	$ 40,218	$ 915,218

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, 2018, the principal outstanding was $10,000,000.

(Continued)

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2002 General Obligation Bonds, Series 2009B outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ -	$ 800,000	$ 800,000
2020	-	800,000	800,000
2021	-	800,000	800,000
2022	-	800,000	800,000
2023	-	800,000	800,000
2024-2028	1,980,000	3,844,800	5,824,800
2029-2033	6,435,000	1,996,200	8,431,200
2034	1,585,000	63,400	1,648,400
	$ 10,000,000	$ 9,904,400	$ 19,904,400

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. 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, 2018, the principal outstanding was $18,965,000.

The annual payments required to amortize the 2012 General Obligation Refunding Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,705,000	613,875	2,318,875
2024-2028	9,910,000	1,655,737	11,565,737
2029	1,240,000	32,550	1,272,550
	$ 18,965,000	$ 5,514,400	$ 24,479,400

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, 2018, $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, 2018, the principal outstanding was $56,275,000.

(Continued)

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2015 General Obligation Refunding Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	2,860,000	2,366,750	5,226,750
2024-2028	18,475,000	9,247,875	27,722,875
2029-2032	27,430,000	2,929,500	30,359,500
	$ 56,275,000	$ 25,131,650	$ 81,406,650

During September 2017, the District issued the 2016 General Obligation Bonds, Series A in the amount of $75,000,000. The proceeds were used to finance the costs of acquiring, constructing, repairing, and equipping District buildings and facilities, and pay the costs of issuing the Series A Bonds. The bonds mature beginning on August 1, 2018 through August 1, 2042, with interest yields ranging from 2.00 to 5.00 percent.. At June 30, 2018, the principal outstanding was $75,000,000.

The annual payments required to amortize the 2016 General Obligation Bonds, Series A outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 13,500,000	$ 2,633,300	$ 16,133,300
2020	14,500,000	2,208,300	16,708,300
2021	13,490,000	1,648,500	15,138,500
2022	365,000	1,369,575	1,734,575
2023	435,000	1,349,575	1,784,575
2024-2028	3,440,000	6,308,500	9,748,500
2029-2033	6,115,000	5,142,725	11,257,725
2034-2038	9,495,000	3,526,650	13,021,650
2039-2043	13,660,000	1,396,250	15,056,250
	$ 75,000,000	$ 25,583,375	$ 100,583,375

During September 2017, the District issued the 2017 General Obligation Refunding Bonds, Series 2017 in the amount of $9,130,000. The proceeds were used to refund, on a crossover basis, a portion of the outstanding principal amount of the District's election of the 2002 General Obligation Bonds, Series 2009B (Build America Bonds) and to pay the costs of issuance associated with the Refunding Bonds. The bonds mature beginning on August 1, 2018 through August 1, 2033, with interest yields ranging from 3.00 to 5.00 percent. At June 30, 2018, the principal outstanding was $9,130,000.

(Continued)

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual payments required to amortize the 2017 General Obligation Refunding Bonds, Series 2017 outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ -	$ 386,675	$ 386,675
2020	-	386,675	386,675
2021	-	386,675	386,675
2022	-	386,675	386,675
2023	-	386,675	386,675
2024-2028	1,865,000	1,841,750	3,706,750
2029-2033	5,880,000	854,713	6,734,713
2034	1,385,000	27,700	1,412,700
	$ 9,130,000	$ 4,657,538	$ 13,787,538

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, 2018, 7 employees were eligible to receive payments under the program and the liability totaled $400,039.

Changes in Long-Term Debt: A schedule of changes in long-term debt for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Amounts Due Within One Year
General Obligation Bonds	$ 89,195,000	$ 84,130,000	$ 3,080,000	$ 170,245,000	$ 16,630,000
Premium on General Obligation Bonds	13,753,942	7,051,397	678,951	20,126,388	921,743
Net pension liability (Notes 8 and 9)	177,293,000	30,306,000	-	207,599,000	-
Other postemployment benefits (Note 10)	22,871,979	17,080,892	3,173,149	36,779,722	-
Cash in-lieu liability (Note 10)	-	3,556,111	-	3,556,111	-
Long-Term Disability Liability	773,354	-	373,315	400,039	78,101
Compensated absences	3,528,472	-	83,474	3,444,998	3,444,998
	$ 307,415,747	$ 142,124,400	$ 7,388,889	$ 442,151,258	$ 21,074,842

(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 (DB) 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 2017-18. 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 2017-18.

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.

According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1 percent since the last time the member contribution rate was set. Based on the June 30, 2017, valuation adopted by the board in May 2018, the increase in normal cost was greater than 1 percent. Therefore, contribution rates for CalSTRS 2% at 62 members will increase by 1 percent effective July 1, 2018.

Employers – 14.43 percent of applicable member earnings.

Pursuant to AB 1469, employer contributions will increase from a prior rate of 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 CalSTRS 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 CalSTRS 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 2017-18 through fiscal year 2045-46 are summarized in the table below:

Effective Date	Prior Rate	Increase	Total
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, 2021 to June 30, 2046	8.25%	*	*
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

* The Teachers' Retirement Board (the "board") cannot adjust the employer rate by more than 1 percent in a fiscal year, and the increase to the contribution rate above the 8.25 percent base contribution rate cannot exceed 12 percent for a maximum of 20.25 percent.

The District contributed $11,879,468 to the plan for the fiscal year ended June 30, 2018.

State – 9.328 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 2045-2046. The CalSTRS state contribution rates effective for fiscal year 2017-18 and beyond are summarized in the table below.

As shown in the subsequent table, the state rate will increase to 5.311 percent on July 1, 2018, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 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, 2018	2.017%	5.311%(2)	2.50%	9.828%
July 2019 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(4)	2.50%	4.517%(3)

(1)This rate does not include $72 million reduction with Education Code 22954
(2)In May 2018 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, 2018.
(3)The CalSTRS board has limited authority to adjust state contribution rates annually 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.
(4) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary to address any remaining 1990 unfunded actuarial obligation.

(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, 2018, 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	$ 136,771,000
State's proportionate share of the net pension liability associated with the District	80,913,000
Total	$ 217,684,000

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2017, the District's proportion was 0.148 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $14,623,999 and revenue of $7,294,752 for support provided by the State. At June 30, 2018, 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	$ 506,000	$ 2,385,000
Changes of assumptions	25,338,000	-
Net differences between projected and actual earnings on investments	-	3,643,000
Changes in proportion and differences between District contributions and proportionate share of contributions	7,859,000	6,427,000
Contributions made subsequent to measurement date	11,879,468	-
Total	$ 45,582,468	$ 12,455,000

(Continued)

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

$11,879,468 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2019	$ 1,483,767
2020	$ 6,804,767
2021	$ 4,843,767
2022	$ 1,276,767
2023	$ 2,825,267
2024	$ 4,013,665

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 the June 30, 2017 measurement date. 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.

<u>Actuarial Methods and Assumptions</u>: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

(Continued)

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

During the 2016-17 measurement period, CalSTRS completed an experience study for the period starting July 1, 2010, and ending June 30, 2015. The experience study was adopted by the board in February 2017. As a result of the study, certain assumptions used in determining the NPL of the STRP changed, including the price inflation, wage growth, discount rate and the mortality tables used in the actuarial valuation of the NPL. The changes to the assumptions as a result of the experience study follow:

	Measurement Period	
Assumption	As of June 30, 2017	As of June 30, 2016
Consumer price inflation	2.75%	3.00%
Investment rate of return	7.10%	7.60%
Wage growth	3.50%	3.75%

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 CalSTRS board in February 2017 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%
Fixed Income	12	0.30
Real Estate	13	5.20
Private Equity	13	9.30
Absolute Return / Risk Mitigating Strategies	9	2.90
Inflation Sensitive	4	3.80
Cash / Liquidity	2	(1.00)

* 20-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.10 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 AB1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 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.

(Continued)

NOTE 8 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLANS (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 7.10 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$200,823,000	$136,771,000	$ 84,788,000

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

NOTE 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 non-certified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at:

https://www.calpers.ca.gov/docs/forms-publications/cafr-2017.pdf

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

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 district's first join the PERF B, are credited with a market value adjustment in determining contribution rates.

(Continued)

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

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, 2018 were as follows:

Members – The member contribution rate was 6.5 or 7.0 percent of applicable member earnings for fiscal year 2017-18.

Employers – The employer contribution rate was 15.531 percent of applicable member earnings.

The District contributed $6,257,463 to the plan for the fiscal year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $70,828,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2017, the District's proportion was 0.297 percent, which was an increase of 0.007 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $13,957,124. At June 30, 2018, 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	$ 2,537,000	$ -
Changes of assumptions	10,346,000	834,000
Net differences between projected and actual earnings on investments	2,450,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	122,000	682,000
Contributions made subsequent to measurement date	6,257,463	-
Total	$ 21,712,463	$ 1,516,000

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

$6,257,463 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2019	$ 3,604,833
2020	$ 6,766,833
2021	$ 4,908,833
2022	$ (1,341,499)

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions 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, 2017 measurement date. 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.

<u>Actuarial Methods and Assumptions</u>: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods including in the measurement:

Valuation Date	June 30, 2016
Experience Study	June 30, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
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

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, 2016 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.

During the 2016-17 measurement period, the financial reporting discount rate for the Plan was lowered from 7.65 percent to 7.15 percent.

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

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 Years 1-10 (1)	Expected Real Rate of Return Years 11+(2)
Global Equity	47%	4.90%	5.38%
Fixed Income	19	0.80	2.27
Inflation Assets	6	0.60	1.39
Private Equity	12	6.60	6.63
Real Estate	11	2.80	5.21
Infrastructure & Forestland	3	3.90	5.36
Liquidity	2	(0.40)	(0.90)

* 10-year geometric average
(1) An expected inflation rate of 2.50% used for this period
(2) An expected inflation rate of 3.00% used for this period

Discount Rate: The discount rate used to measure the total pension liability was 7.15 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 rounded 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 7.15 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 (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$104,210,000	$ 70,828,000	$ 43,134,000

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.

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.

Benefits Provided: The District provides postemployment health care benefits (retiree benefit plan) or cash in-lieu of benefits (cash in-lieu plan) 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.

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Employees Covered by Benefit Term: The following is a table of the ***retiree benefit plan*** participants at June 30, 2018:

	Number of Participants
Retirees	266
Active Employees	1,266
	1,532

Employees Covered by Benefit Term: The following is a table of the ***cash in-lieu plan*** participants at June 30, 2018:

	Number of Participants
Retirees	164
Active Employees	-
	164

Contributions - Retiree Benefit Plan: 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, 2018.

OPEB Plan Investments: The retiree benefit plan discount rate of 4.5% was determined using the following asset allocation and assumed rate of return:

Asset Class	Percentage of Portfolio	Rate of Return*
Fixed Income	47%	2.55%
Equity	46%	11.29%
Real Estate	4%	6.51%
Commodities	2%	(5.35)%
Cash and Equivalents	1%	.19%

* Geometric average

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate - Retiree Benefit Plan: 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 4.5%.

During the 2017-18 measurement period, the financial reporting discount rate for the Plan was increased from 4.25 percent to 4.5 percent.

Discount Rate - Cash In-Lieu Plan: The discount rate utilized is the 20 year municipal bond yield. As of June 30, 2017 a rate of 3.13% was used. As of June 30, 2018, a rate of 2.98% was used. As described by GASB for unfunded benefits, the discount rate was developed using the 20 year municipal bond yield. The S&P Municipal Bond 20 Year High Rate Index was used.

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

Retiree Benefit Plan

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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	4.50%
Medical claims increase	2.00%
Discount rate	4.50%
Health care cost trend rate	7.00%
Payroll increase	2.75%
Mortality	For certificated employees the 2015 CalSTRS mortality tables were used. For classified employees the 2017 CalPERS active mortality for miscellaneous employees were used.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Cash In-Lieu Plan

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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	2.98%
Medical claims increase	2.00%
Discount rate	2.98%
Payroll increase	2.75%
Mortality	For certificated employees the 2015 CalSTRS mortality tables were used. For classified employees the 2017 CalPERS active mortality for miscellaneous employees were used.

Changes in the Net OPEB Liability - Retiree Benefit Plan

	Increase (Decrease)		
	Total OPEB Liability (a)	Total Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, July 1, 2017	$ 38,871,330	$ 15,999,351	$ 22,871,979
Changes for the year:			
Transfer of liabilities	(3,173,149)	-	(3,173,149)
Service cost	1,497,775	-	1,497,775
Interest	1,560,009	-	1,560,009
Employer contributions	-	900,000	(900,000)
Difference between expected and actual experience	(214,070)	-	(214,070)
Change in assumptions	17,114,643	-	17,114,643
Net investment income	-	1,069,047	(1,069,047)
Administrative expense	-	(81,628)	81,628
Benefit payments	(990,046)	-	(990,046)
Net change	15,795,162	1,887,419	13,907,743
Balance, June 30, 2018	$ 54,666,492	$ 17,886,770	$ 36,779,722

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in the Total OPEB Liability - Cash In-Lieu Plan

	Increase (Decrease)		
	Total OPEB Liability (a)	Total Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, July 1, 2017	$ -	$ -	$ -
Changes for the year:			
Transfer of liabilities	3,173,149	-	3,173,149
Interest	112,075	-	112,075
Difference between expected and actual experience	260,473	-	260,473
Change in assumptions	355,417	-	355,417
Benefit payments	(345,003)	-	(345,003)
Net change	3,556,111	-	3,556,111
Balance, June 30, 2018	$ 3,556,111	$ -	$ 3,556,111

Retiree Benefit Plan - Fiduciary Net Position as a % of the Total OPEB Liability: 32.7%

Cash In-Lieu Plan - Fiduciary Net Position as a % of the Total OPEB Liability: 0%

For the year ended June 30, 2018, the District recognized OPEB expense of $5,054,132. At June 30, 2018, 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	$ 16,695,265	$ -
Differences between expected and actual earnings on investments	-	189,408
Differences between projected and actual earnings on investments	-	870,836
Total	$ 16,695,265	$ 1,060,244

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

2019	$ 1,965,389
2020	$ 1,965,389
2021	$ 1,965,389
2022	$ 2,156,457
2023	$ 2,230,865
Thereafter	$ 5,351,532

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 member (active and inactive participants), which is 7 years as of the June 30, 2018 measurement date. 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.

Sensitivity of the Net OPEB Liability to Assumptions: The following presents the net OPEB liability calculated using the discount rates of the retiree benefit and cash in-lieu plans. The schedule also shows what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower and 1 percent higher:

	Discount Rate 1% Lower (3.5%)	Valuation Discount Rate (4.5%)	Discount Rate 1% Higher (5.5%)
Net OPEB liability - retiree benefit plan	$ 43,778,485	$ 36,779,722	$ 30,840,356

	Discount Rate 1% Lower (1.98%)	Valuation Discount Rate (2.98%)	Discount Rate 1% Higher (3.98%)
Net OPEB liability - cash in-lieu plan	$ 3,867,398	$ 3,556,111	$ 3,285,958

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 - retiree benefit plan	$ 29,745,477	$ 36,779,722	$ 45,538,276

(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, 2018, the District has approximately $2.4 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, 2017	FASBO Sept. 30, 2017
Total assets	$ 20,799,852	$ 4,086,620
Total liabilities	$ 5,254,263	$ 4,909,884
Net position	$ 15,545,589	$ (823,264)
Total revenues	$ 6,565,986	$ 26,041,460
Total expenses	$ 7,257,598	$ 26,821,587
Change in net position	$ (691,612)	$ (780,127)

(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, 2018.

Functional Classifications	Salaries	Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Equipment Maintenance and Repairs	Financial Aid	Depreciation	Total
Instruction	$ 69,288,153	$ 26,296,289	$ 5,309,734	$ 631,514	$ 75,352	$ -	$ 101,601,042
Academic Support	18,442,891	6,798,253	1,717,034	482,139	59,948	-	27,500,265
Student Services	30,748,108	11,000,477	3,845,456	476,100	1,609,256	-	47,679,397
Operations and Maintenance of Plant	5,756,114	3,130,989	7,907,191	298,826	-	-	17,093,120
Institutional Support Services	14,536,976	10,329,309	5,671,793	2,472,510	-	-	33,010,588
Community Services & Economic Development	1,304,633	500,016	8,633,944	282,743	11,340	-	10,732,676
Ancillary Services & Auxiliary Operations	3,700,623	1,503,760	4,011,184	151,722	26,840	7,574	9,401,703
Student Aid	-	-	-	-	76,221,503	-	76,221,503
Depreciation	-	-	-	-	-	10,988,209	10,988,209
	$ 143,777,498	$ 59,559,093	$ 37,096,336	$ 4,795,554	$ 78,004,239	$ 10,995,783	$ 334,228,503

(Continued)

NOTE 14 - SUBSEQUENT EVENTS

In November 2018, the District issued Election of 2002, General Obligation Bonds, Series 2018A in the amount of $30,000,000. The proceeds will be used to finance the costs of acquiring, constructing, repairing, and equipping District buildings and facilities, and pay the costs of issuing the Series A Bonds. The bonds mature beginning on August 1, 2020 through August 1, 2029, with interest yields ranging from 4.00 to 5.00 percent.

REQUIRED SUPPLEMENTARY INFORMATION

Last 10 Fiscal Years

Retiree Benefit Plan

	2017	2018
Total OPEB liability		
Transfer of liabilities	$ -	$ (3,173,149)
Service Cost	1,491,292	1,497,775
Interest	1,523,921	1,560,009
Difference between expected and actual experience	-	(214,070)
Changes in assumptions	2,119,943	17,114,643
Benefit payments	(1,290,291)	(990,046)
Net change in total OPEB liability	3,844,865	15,795,162
Total OPEB liability, beginning of year	35,026,465	38,871,330
Total OPEB liability, end of year (a)	$ 38,871,330	$ 54,666,492
Plan fiduciary net position		
Employer contributions	$ 900,000	900,000
Employee contributions	-	-
Net investment income	1,551,934	1,069,047
Administrative expense	(88,535)	(81,628)
Benefits payment	-	-
Change in plan fiduciary net position	2,363,399	1,887,419
Fiduciary trust net position, beginning of year	13,635,952	15,999,351
Fiduciary trust net position, end of year (b)	$ 15,999,351	$ 17,886,770
Net OPEB liability, ending (a) - (b)	$ 22,871,979	$ 36,779,722
Covered payroll	$ 98,270,799	$ 92,846,249
Plan fiduciary net position as a percentage of the total OPEB liability	41.2%	32.7%
Net OPEB liability as a percentage of covered payroll	23.3%	39.6%

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.

See accompanying note to required supplementary information.

STATE CENTER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
For the Year Ended June 30, 2018

Last 10 Fiscal Years

Cash In-Lieu Plan

	2018
Total OPEB liability	
Transfer of liabilities	$ 3,173,149
Service Cost	-
Interest	112,075
Difference between expected and actual experience	260,473
Changes in assumptions	355,417
Benefit payments	(345,003)
Net change in total OPEB liability	3,556,111
Total OPEB liability, beginning of year	-
Total OPEB liability, end of year	$ 3,556,111
Plan fiduciary net position as a percentage of the total OPEB liability	-%

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

All years prior to 2018 are not available.

See accompanying note to required supplementary information.

State Teacher's Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018
District's proportion of the net pension liability	0.152%	0.156%	0.149%	0.148%
District's proportionate share of the net pension liability	$ 89,044,000	$105,048,000	$120,114,000	$136,771,000
State's proportionate share of the net pension liability associated with the District	53,769,000	55,559,000	68,385,000	80,913,000
Total net pension liability	$142,813,000	$160,607,000	$188,499,000	$217,684,000
District's covered payroll	$ 67,869,000	$ 72,423,000	$ 74,012,000	$ 91,896,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	148.83%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%

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	2018
District's proportion of the net pension liability	0.311%	0.292%	0.290%	0.297%
District's proportionate share of the net pension liability	$ 35,271,000	$ 43,009,000	$ 57,179,000	$ 70,828,000
District's covered-employee payroll	$ 32,615,000	$ 32,303,000	$ 34,733,000	$ 44,341,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.14%	133.14%	164.62%	159.73%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%

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	2018
Contractually required contribution	$ 6,431,132	$ 7,941,453	$ 11,560,517	$ 11,879,468
Contributions in relation to the contractually required contribution	6,431,132	7,941,453	11,560,517	11,879,468
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 72,423,000	$ 74,012,000	$ 91,896,000	$ 82,325,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%

All years prior to 2015 are not available.

(Continued)

Public Employers Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018
Contractually required contribution	$ 3,802,411	$ 4,114,801	$ 6,158,965	$ 6,257,463
Contributions in relation to the contractually required contribution	3,804,411	4,114,801	6,158,965	6,257,463
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 32,303,000	$ 34,733,000	$ 44,341,000	$ 40,290,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

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 Changes in Total Other Postemployment Benefits (OPEB) Liability

The Schedule of Changes in Total OPEB Liability is presented to illustrate the elements of the District's Total OPEB Liability related to the District's Cash In-Lieu Plan. 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 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.

D - 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.

E - Changes of Benefit Terms

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

F - Changes of Assumptions

The discount rate for State Teachers' Retirement Plan (STRP) was 7.60, 7.60, and 7.10 percent in the June 30, 2014, 2015, and 2016 actuarial reports, respectively.

The discount rate for Public Employer's Retirement Fund B (PERF B) was 7.65, 7.65 and 7.15 percent in the June 30, 2014, 2015 and 2016 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

	Measurement Period		
Assumption	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015
Consumer price inflation	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.60%	7.60%
Wage growth	3.50%	3.75%	3.75%

(Continued)

NOTE 1 - PURPOSE OF SCHEDULE (Continued)

The following changes in assumptions were made since the prior actuarial valuation report for the District's OPEB - retiree benefits plan:

- The discount rate for the District's OPEB - retiree benefit plan was 4.25 percent and 4.50 percent in the June 30, 2017 and 2018 actuarial reports, respectively.

- The mortality, termination and retirement rates for non-certificated participants were updated to reflect the CalPERS 2017 experience study.

- The salary increase assumption was updated to reflect the wage inflation assumption of 2.75%, based on the CalPERS 2017 experience study.

- Morbidity rates were updated based on the June 2013 Society of Actuary Study entitled "Health Care Costs - From Birth to Death"

- The healthcare cost trend was updated to a graded scale beginning with 7.00% in 2017/2018 fiscal year grading down to an ultimate rate of 4.50%.

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, 2018 were composed of the following members:

BOARD OF TRUSTEES

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

DISTRICT ADMINISTRATION

Dr. Paul Parnell
Chancellor

Dr. Carole Goldsmith
President - Fresno City College

Ms. Donna Berry
Interim President - Reedley College

Dr. Lori Bennett
President- Clovis Community College

Mr. Edwin Eng**
Vice Chancellor - Finance and Administration

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

Ms. Julianna Mosier
Vice Chancellor - Human Resources

Ms. Christine Miktarian
Vice Chancellor - Operations and Information System

**Effective August 1, 2018
Ms. Cheryl Sullivan
Vice Chancellor - Finance and Administration

STATE CENTER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2018

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	-	$ 1,731,881
Federal Work Study (FWS)	84.033	-	1,261,607
Federal Pell Grants (PELL)	84.063	-	60,370,064
Financial Aid Admin Allowance	84.063	-	185,977
Federal Direct Student Loans	84.268	-	1,400,216
Subtotal Financial Aid Cluster			64,949,745
TRIO Cluster:			
Student Support Services	84.042A	-	1,565,448
Upward Bound	84.047A	-	1,217,519
Upward Bound - Math and Science	84.047M	-	427,384
Subtotal TRIO Cluster			3,210,351
Higher Education Institutional Aid Program:			
Higher Education Institutional Aid - Science, Technology, Engineering, Math Improvement Projects	84.031C	-	989,439
Higher Education Institutional Aid, Title V & Title V Collaborative	84.031S	-	1,137,140
Passed through Humboldt State University Foundation:			
HSI Stem Articulation Grant	84.031C	P031C16093	9,094
Subtotal Higher Education Institutional Aid Program			2,135,673
Passed through California Department of Rehabilitation:			
Rehabilitation Services Program			
College to Career	84.126A	H126A160005	166,142
Rehabilitation Services - Workability	84.126A	H126A170005	189,846
Subtotal Rehabilitation Services Program			355,988
Passed through California Community College Chancellor's Office:			
Career and Technical Education Program:			
Central Regional Consortium Grant	84.048A	V048A170030	300,000
CTE Transitions Grant	84.048A	V048A170030	124,776
Career and Technical Education, Title IC	84.048A	V048A170030	1,322,754
Subtotal Career and Technical Education Program			1,747,530
Total U.S. Department of Education			$ 72,399,287

(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			
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	75-1515-0-1-609	$ 20,393
Child Care and Development Block Grant	93.575	75-1515-0-1-609	9,373
Child Care and Development Block Grant - Training Consortium	93.575	-	32,260
Child Care and Development Block Grant - Early Child Mentor Program	93.575	-	1,799
Subtotal Child Care Development Fund Cluster			63,825
Passed through California Community College Chancellor's Office:			
Foster Care	93.658	1801CAFOST	65,216
Temporary Assistance for Needy Families (TANF) Cluster:			
Passed through California Community College Chancellor's Office:			
TANF- CalWORKs	93.558	IA 17-2022	266,613
Passed through Madera County Dept. of Social Services:			
TANF - Vocational Training	93.558	179970934	158,275
Passed through Tulare County Health & Human Services:			
TANF - Tulare CalWORKs Work Study Program	93.558	93558	45,433
Passed through Fresno County Health & Human Services:			
TANF - CalWORKs Employment & Temporary Assistance	93.558	1601CATANF	387,418
Subtotal TANF Cluster			$ 857,739

(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	1801CACLIP	$ 22,011
Total U.S. Department of Health and Human Services			1,008,791
U.S. Department of Agriculture			
Direct Programs:			
Farm Service Agency: Farm Storage Facility Loans	10.056	-	1,787
Farm Service Agency: Farm Operating Loans	10.406	-	3,575
Farm Service Agency: Noninsured Assistance	10.451	-	596
Risk Management Education Partnership Program	10.460	-	23,152
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	-	45,047
Child and Adult Care Food Program - Promoting Integrity NOW (PIN)	10.558	01387	104,485
State Administrative Expenses for Child Nutrition - Mandatory Training	10.558	01387	450,961
Subtotal Child and Adult Care Food Program			600,493
Passed through California Department of Food and Agriculture:			
California Specialty Crop Program:			
California Specialty Crop - Job Fair for San Joaquin Valley	10.170	AM170100XXXXG011	11,953
California Specialty Crop - Sales and Media Promotions in Mexico and China	10.170	AM170100XXXXG011	9,611
California Specialty Crop - CA Grown Taste of CA	10.170	16-SCBGP-CA-0035	62,478
California Specialty Crop - Export Promotion	10.170	14-SCBGP-CA-0006	88,955
Subtotal California Specialty Crop Program			172,997
Aligning Import Perspectives of Foreign Buyers	10.156	AM170100XXXXG060	8,168
Passed through Humboldt State University:			
HIS Education Pathway Grant	10.223	2014-38422-22081	41,928
Passed through California Department of Education:			
State Administrative Expenses for Child Nutrition - Healthy & Active Preschoolers	10.560	01727	71,613
Total U.S. Department of Agriculture			$ 924,309

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2018

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	$ 64,351
Passed through University of California, Merced:			
Central California Small Business Development Center	59.037	SBAHQ1880031	33,926
Subtotal U.S. Agency for Small Business Administration			98,277
U.S. Department of Veteran Affairs			
Direct Program:			
Veterans Information and Assistance - Reporting Fees	64.115	-	6,333
U.S. Department of Interior			
Direct Program:			
Native American Graves protection and Repatriation Act Project	15.922	-	19,506
U.S. National Science Foundation			
Direct Program:			
Collections in Support of Biological Research	47.074	-	21,971
Advanced Technological Education Program	47.076	-	15,510
Subtotal U.S. National Science Foundation			37,481
U.S. National Aeronautics and Space Administration			
NASA Education Program:			
Passed through Napa College			
Rising Data: Flight Project Curriculum for Community College Students	43.008	NNX15AV98A	6,255
Subtotal NASA Education Program:			6,255
Total Federal Programs			$ 74,500,239

See accompanying notes to supplementary information.

	Program Revenues				Total Program
	Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total	Expenditures
AB104 Adult Education Block Grant	$ 15,386,717	$ -	$ (1,002,535)	$ 14,384,182	$ 14,384,182
AEBG Data and Accountability	696,837	-	(408,469)	288,368	288,368
Assessment Remediation & Retention for Associated Degree Nursing Program	22,800	34,200	-	57,000	57,000
Basic Skills	2,070,749	-	(1,636,215)	434,534	434,534
Basic Skills and Student Outcomes Transformation Grant	1,358,586	534,096	(231,776)	1,660,906	1,660,906
BFAP	1,570,777	-	(1)	1,570,776	1,570,776
CARE	466,065	-	(6,313)	459,752	459,752
Cal Grants	7,438,293	-	(24,182)	7,414,111	7,414,111
CalWORKs	1,584,693	-	(41,727)	1,542,966	1,542,966
California Apprenticeship Initiative	71,105	470,845	-	541,950	541,950
CC Promise Innovation Grant Program	1,500,000	-	(795,846)	704,154	704,154
Campus Safety and Sexual Assault Fund	61,855	-	(61,855)	-	-
Career Advancement Academy	146,856	31,375	-	178,231	178,231
CCPT Fresno Healthcare Collaborative	60,033	25,128	-	85,161	85,161
CCPT Visalia Unified School District	-	19,006	-	19,006	19,006
Child Development Block Grant	375,201	35,361	-	410,562	410,562
Child Care Food Program	2,180	151	-	2,331	2,331
Community College Completion Grant	697,500	-	(455,104)	242,396	242,396
Cooperating Agencies Foster Youth Education Support	10,009,285	-	(42,471)	9,966,814	966,814
CSEC: Awareness and Identification	1,800	1,188	-	2,988	2,988
CTE Data Unlocked Initiative	235,594	-	(143,344)	92,250	92,250
Deputy Sector Navigator - Communication & Information	53,048	195,945	-	248,993	248,993
Disabled Students Services (DSPS)	3,583,649	-	(160,773)	3,422,876	3,422,876
Doing What Matters: Work-based Resource Hub	-	-	-	-	-
Economic Opportunity Programs and Services (EOPS)	3,501,623	-	(22,132)	3,479,491	3,479,491
Education Future Prep Pipeline Project	56,250	-	(51,968)	4,282	4,282
Education Planning Initiative (EPI)	149,695	-	(148,113)	1,582	1,582
Enrollment Growth - Associate Degree Nursing Program	273,274	108,726	-	382,000	382,000
Equal Employment Opportunity Fund	50,000	-	-	50,000	50,000
E-Transcript California Mini Grant	60,794	-	(60,794)	-	-
Foster Care Education	81,496	-	-	81,496	81,496
Full Time Student Success Grant (FTSSG)	3,698,681	-	(194,300)	3,504,381	3,504,381
Guided Pathways	966,569	-	(940,167)	26,402	26,402
Hunger Free Campus Support Fund	62,520	-	(18,663)	43,857	43,857
IDRC - Food Safety and Quality Assurance Program	9,824	-	-	9,824	9,824
IDRC - Soft Skills Training Grant	56,250	-	-	56,250	56,250

(Continued)

	Program Revenues				
	Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total	Total Program Expenditures
Innovation and Effectiveness Grant	410,294	-	(146,663)	263,631	263,631
Instruction Equipment & Library Fund	1,100,000	-	(231,476)	868,524	868,524
Middle College High School Grant	$ 80,000	$ 96,279	$ -	$ 176,279	$ 176,279
Non-resident Dreamer Financial Aid Program	206,897	-	(2,845)	204,052	204,052
Peace Officer Standards and Training	64,961	270,242	-	335,203	335,203
Prop 39 Clean Energy Workforce Program Improvement Fund	-	274,320	-	274,320	274,320
PUENTE Project	3,134	-	(330)	2,804	2,804
Race to the Top/ Early Stars-Advising	-	20,778	-	20,778	20,778
Sector Navigator-Agriculture, Water, & Environment	-	708,930	-	708,930	708,930
Scheduled Maintenance & Repair	713,833	-	-	713,833	713,833
Song Brown	80,000	80,001	-	160,001	160,001
Strong Workforce Program	24,351,122	-	(16,041,096)	8,310,026	8,310,026
Student Equity Fund	5,659,702	-	(1,772,224)	3,887,478	3,887,478
Student Success (Credit)	10,778,670	-	(2,978,192)	7,800,478	7,800,478
Student Success (Non-credit)	34,867	-	-	34,867	34,867
Supplemental Educational Support Materials	-	9,959	-	9,959	9,959
Textbooks Affordability Program	9,409	-	(1,263)	8,146	8,146
Veterans Resource Center On-Going Allocation	132,738	-	(129,819)	2,919	2,919
Westhills Agriculture Academy	72,512	5,447	-	77,959	77,959
Westhills Agriculture Summer Camp	-	54,694	-	54,694	54,694
Wonderful (Paramount) Agriculture Career Academy	10,397	3,395	-	13,792	13,792
Zero Textbook Cost Degree Grant	60,000	-	(58,156)	1,844	1,844

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, 2018

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2017 only)			
1. Noncredit	47	-	47
2. Credit	2,311	-	2,311
B. Summer Intersession (Summer 2018) - Prior to July 1, 2018)			
1. Noncredit	-	-	-
2. Credit	1,581	-	1,581
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	20,755	-	20,755
b. Daily Census Contact Hours	2,069	-	2,069
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	434	-	434
b. Credit	1,352	-	1,352
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	2,326	-	2,326
b. Daily Census Contact Hours	693	-	693
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
D. Total FTES	31,568	-	31,568
Supplemental Information:			
E. In-Service Training Courses (FTES)	50	-	50
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	269	-	269
b. Credit	1,655	-	1,655
CCFS 320 Addendum			
CDCP	172	-	172
Centers FTES			
a. Noncredit	6,000	-	6,000
b. Credit	175	-	175

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, 2018

General fund	$ 42,077,894	
Debt service fund	37,061,486	
Special revenue funds	474,440	
Capital projects funds	89,029,198	
Self insurance funds	20,856,215	
Bookstore	6,525,813	
Total fund balances - business-type activity funds		$ 196,025,046
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	$ 308,555,253	
Less: Bookstore fund capital assets	(57,723)	
		308,497,530
In government funds, deferred outflows and inflows of resources relating to pensions and OPEB 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 and OPEB are reported:		
Deferred outflows of resources relating to pensions	$ 67,294,931	
Deferred inflows of resources relating to OPEB	16,695,265	
Deferred outflows of resources relating to pensions	(13,971,000)	
Deferred inflows of resources relating to OPEB	(1,060,244)	
		68,958,952
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.		(3,211,724)
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, 2018 consisted of:		
General obligation bonds	$ (170,245,000)	
Bond premiums	(20,126,388)	
Other postemployment benefits	(36,779,722)	
Cash in-lieu liability	(3,556,111)	
Net pension liability	(207,599,000)	
Other long-tem liabilities, less bookstore fund	(3,784,227)	
		(442,090,448)
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.		2,799,556
Adjustment to student accounts for uncollectible amounts		(569,706)
Total net position - business-type activities		$ 130,409,206

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, 2018

	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	$ 44,355,645	$ -	$ 44,355,645	$ 44,355,645	$ -	$ 44,355,645
Other	1300	17,907,617	-	17,907,617	17,907,617	-	17,907,617
Total instructional salaries		62,263,262	-	62,263,262	62,263,262	-	62,263,262
Non-instructional salaries:							
Contract or regular	1200	-	-	-	15,929,015	-	15,929,015
Other	1400	-	-	-	3,316,065	-	3,316,065
Total non-instructional salaries		-	-	-	19,245,080	-	19,245,080
Total academic salaries		62,263,262	-	62,263,262	81,508,342	-	81,508,342
Classified Salaries							
Non-instructional salaries:							
Regular status	2100	-	-	-	26,789,771	-	26,789,771
Other	2300	-	-	-	2,209,059	-	2,209,059
Total non-instructional salaries		-	-	-	28,998,830	-	28,998,830
Instructional aides:							
Regular status	2200	2,257,358	-	2,257,358	2,257,358	-	2,257,358
Other	2400	1,209,615	-	1,209,615	1,209,615	-	1,209,615
Total instructional aides		3,466,973	-	3,466,973	3,466,973	-	3,466,973
Total classified salaries		3,466,973	-	3,466,973	32,465,803	-	32,465,803
Employee benefits	3000	22,190,457	-	22,190,457	41,621,481	-	41,621,481
Supplies and materials	4000	-	-	-	2,182,511	-	2,182,511
Other operating expenses	5000	1,398,041	-	1,398,041	14,828,312	-	14,828,312
Equipment replacement	6420	-	-	-	-	-	-
Total expenditures prior to exclusions		$ 89,318,733	$ -	$ 89,318,733	$172,606,449	$ -	$172,606,449

(Continued)

STATE CENTER COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
For the Year Ended June 30, 2018

		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	$ 772,974	$ -	$ 772,974	$ 772,974	$ -	$ 772,974
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	-	-	-
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	562,074	-	562,074
Objects to exclude:							
Rents and leases	5060	-	-	-	122,435	-	122,435
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	1,890	-	1,890
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	330	-	330
Supplies and materials:	4000						
Software	4100	-	-	-	-	-	-
Books, magazines and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	318	-	318
Noninstructional supplies and materials	4400	-	-	-	174,383	-	174,383
Total supplies and materials		-	-	-	174,701	-	174,701
Other operating expenses and services	5000	-	-	-	2,792,965	-	2,792,965
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Equipment:	6400						
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	-	-	-
Total capital outlay		-	-	-	-	-	-
Other outgo	7000	-	-	-	-	-	-
Total exclusions		$ 772,974	$ -	$ 772,974	$ 4,427,369	$ -	$ 4,427,369
Total for ECS 84362, 50% Law		$ 88,545,759	$ -	$ 88,545,759	$ 168,179,080	$ -	$ 168,179,080
Percent of CEE (instructional salary cost /Total CEE)		52.65%	-	52.65%	100.00%	-	100.00%
50% of current expense of education					$ 84,089,540	$ -	$ 84,089,540

See accompanying notes to supplementary information.

STATE CENTER COMMUNITY COLLEGE DISTRICT
PROPOSITION 55 EDUCATION PROTECTION ACCOUNT (EPA)
EXPENDITURE REPORT
For the Year Ended June 30, 2018

EPA Proceeds: $ 24,426,488

Activity Classification	Activity Code (0100-5900)	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities		$ 24,426,488	$ -	$ -	$ 24,426,488

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		$ 14,395,526
Non-operating revenues		60,370,064
Total Federal revenues		74,765,590
Less: Federal reimbursement of interest paid Build America Bonds	N/A	(265,351)
Total Federal Expenditures, Schedule of Expenditure of Federal Awards		$ 74,500,239

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.

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, 2018:

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 (CCAP and Non-CCAP)
Student Equity
Student Success and Support Program Funds (SSSP)
Scheduled Maintenance Program
Gann Limit Calculation
Open Enrollment
Proposition 39 Clean Energy Fund
Intersession Extension Programs
Apprenticeship Related and Supplemental Instruction (RSI) Funds
Disabled Student Programs and Services (DSPS)
To Be Arranged Hours (TBA)
Proposition 1D and 51 State Bond Funded Projects
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, 2018.

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 LLP

Crowe LLP

Sacramento, California
December 19, 2018

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, 2018, 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, 2018.

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 LLP

Crowe LLP

Sacramento, California
December 19, 2018

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, 2018. 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, 2018.

(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 LLP

Crowe LLP

Sacramento, California
December 19, 2018

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:	$ 2,232,859
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

No matters were reported.