College of the Sequoias Community College District

Annual Financial Report

June 30, 2012

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Trustees
College of the Sequoias Community College District
Visalia, California

We have audited the accompanying basic financial statements of College of the Sequoias Community College District (the District) as of and for the years ended June 30, 2012 and 2011, and its discretely presented component unit the College of the Sequoias Foundation as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of College of the Sequoias Community College District and its discretely presented component unit as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2013, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

6051 N. Fresno Street, Suite 101 Fresno, CA 93710 Tel: 559.248.0871 Fax: 559.248.0875 www.vtdcpa.com
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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 56, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
January 7, 2013

In June 1999, the Government Accounting Standards Board (GASB) issued Statement No. 34, *"Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,"* which established a new reporting format for annual financial statements of governmental entities. In November 1999, GASB issued Statement No. 35, *"Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,"* which applies these new reporting standards to public colleges and universities such as the College of the Sequoias Community College District (the District). The following discussion and analysis provides an overview of the District's financial activity. This report presents this information in a comparative format. Responsibility for the completeness and fairness of this information rests with the District.

USING THIS ANNUAL REPORT

As required by accounting principles, the annual report consists of three basic financial statements that provide information on the District's activities as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The focus of the Statement of Net Assets is designed to be similar to bottom line results for the District. This statement combines and consolidates current financial resources (net short-term spendable resources) with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of the District's operational activities, which are supported mainly by property taxes and by State and other revenues. This approach is intended to summarize and simplify the user's analysis of the cost of various District services to students and the public. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

OVERVIEW OF THE FINANCIAL STATEMENTS

The College of the Sequoias Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities.* These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Assets is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the Business Type Activity (BTA) model for financial statement reporting purposes.

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FINANCIAL HIGHLIGHTS

- The District's primary funding source is SB361. SB361 provides funding for Credit FTES, Non-credit FTES, Enhanced non credit FTES (limited at this time) and foundation grants for COS and Tulare campuses. Funding is comprised of State apportionment, local property taxes, and student enrollment fees. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During the 2011-12 fiscal year, the District's actual FTES were comprised of 8,806.26 credit FTES and 449.23 non-credit FTES for a total of 9,255.49 FTES, which was a planned reduction from the prior year FTES. During the 2010-11 fiscal year, the District's actual FTES were comprised of 10,406.70 credit FTES and 425.65 non-credit FTES for a total of 10,832.35 FTES, which was a slight increase from the prior year FTES. These FTES are generated at the District's Visalia College campus, as well as various satellite locations.
- The District ended the year with a General Fund balance of $2,807,965. The State System's Office recommends reserve levels of five percent of unrestricted General Fund expenditures be set aside for economic uncertainties. The District met this requirement for the current year.
- The primary expenditure of the District is for the salaries and benefits of the Academic, Classified, and Administrative salaries of District employees. In addition to the costs for current employees' insurance coverage, the District provides insurance benefits to retirees meeting plan eligibility requirements.
- The District has continued construction on the new Tulare College Center and the first phases are complete in order for classes to begin Spring 2013. The Visalia Campus completed modernization of the Administrative North wing and the first story of the Kern (Business) Building.
- The District provides student financial aid to qualifying students of the District in the amount of approximately $21.6 million. This aid is provided through grants, and loans from the Federal government, State System's Office, and local funding.

Condensed financial information is as follows (in thousands):

NET ASSETS
As of June 30, 2012, 2011, and 2010

	2012	2011	Change	2010	Change
ASSETS					
Current Assets					
Cash, investments, and short term receivables	$ 46,414	$ 58,839	$ (12,425)	$ 55,450	$ 3,389
Inventory and prepaids	717	505	212	870	(365)
Total Current Assets	47,131	59,344	(12,213)	56,320	3,024
Non-Current Assets					
Other non-current assets	8,002	7,655	347	6,244	1,411
Capital assets, net of depreciation	182,224	145,451	36,773	114,053	31,398
Total Assets	$237,357	$212,450	$ 24,907	$176,617	$ 35,833
LIABILITIES					
Current Liabilities					
Accounts payable and amount held in trust	4,443	7,750	(3,307)	4,050	3,700
Deferred revenue	5,056	4,842	214	4,374	468
Compensated absences - current	996	1,040	(44)	1,168	(128)
Long-term liabilites - current portion	2,107	2,333	(226)	2,117	216
Total Current Liabilites	12,602	15,965	(3,363)	11,709	4,256
Non-Current Liabilities					
Long-term liabilites	114,970	104,346	10,624	89,331	15,015
Total liabilities	127,572	120,311	7,261	101,040	19,271
NET ASSETS					
Invested in capital assets net of related debt	92,236	76,428	15,808	60,307	16,121
Restricted for expendable purposes	12,360	9,856	2,504	9,476	380
Unrestricted	5,189	5,855	(666)	5,795	60
Total Net Assets	109,785	92,139	17,646	75,578	16,561
Total Liabilities and Net Assets	$237,357	$212,450	$ 24,907	$176,618	$ 35,832

This schedule has been prepared from the District's Statement of Net Assets (page 11), which is presented on an accrual basis of accounting whereby capital assets are capitalized and depreciated.

Cash and short-term investments consist primarily of funds held in the Tulare County Treasury. The changes in the cash position are explained in the Statement of Cash Flows (pages 13 and 14).

Operating Results for the Year Ended June 30, 2012, 2011, and 2010 (in thousands)

	2012	2011	Difference	2010	Difference
OPERATING REVENUES					
Tuition and fees, net	$ 3,098	$ 3,727	$ (629)	$ 3,794	$ (67)
Auxiliary sales and charges	1,192	1,571	(379)	1,184	387
Total Operating Revenues	4,290	5,298	(1,008)	4,978	320
OPERATING EXPENSES					
Salaries and benefits	46,855	49,328	(2,473)	49,536	(208)
Other expenses	34,926	35,975	(1,049)	37,814	(1,839)
Depreciation	3,625	3,108	517	2,435	673
Total Operating Expenses	85,406	88,411	(3,005)	89,785	(1,374)
NET LOSS ON OPERATIONS	(81,116)	(83,113)	1,997	(84,807)	1,694
NONOPERATING REVENUES AND (EXPENSES)					
State apportionments	30,396	34,172	(3,776)	33,045	1,127
Property taxes	15,832	13,482	2,350	11,631	1,851
State revenues	2,021	2,676	(655)	1,722	954
Grants and contracts	29,365	30,184	(819)	28,517	1,667
Interest income	793	1,736	(943)	1,991	(255)
Principal expense	609	-	609	-	-
Interest expense	(5,951)	(5,570)	(381)	(4,315)	(1,255)
Other non-operating revenues	4,237	2,837	1,400	5,936	(3,099)
Total Nonoperating Revenues	77,302	79,517	(2,215)	78,527	990
OTHER REVENUES					
State revenues, capital	21,217	19,979	1,238	9,804	10,175
Local revenues, capital	243	178	65	226	(48)
Total Other Revenues	21,460	20,157	1,303	10,030	10,127
NET INCREASE (DECREASE) IN NET ASSETS	$ 17,646	$ 16,561	$ 1,085	$ 3,750	$ 12,811

This schedule has been prepared from the Statement of Revenues, Expenses and Changes in Net Assets presented on page 12.

The operating revenue for the District is specifically defined as revenues from users of the colleges' facilities and programs. Excluded from the operating revenues are the components of the primary source of District funding - the State apportionment process. These components include the State apportionment and local property taxes. As these sources of revenue are from the general population of the State of California, and not from the direct users of the educational services, they are considered to be nonoperating. There was an overall increase in the District's net assets of $17.6 million.

Auxiliary revenue consists of Farm and Food Service revenues. The Food Service operation provides meals to the students and faculty of the college. The Farm operation provides educational opportunities for students in agriculture.

Grant and contract revenues relate to student financial aid, as well as specific Federal and State grants received for programs serving the students of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs.

The interest income is primarily the result of cash held at the Tulare County Treasurer. The interest expense relates to interest payments on the long-term obligations which are described in Note 10 of the financial statements.

The District has recorded the depreciation expense related to capital assets. The detail of the changes in capital assets for the year is included in the notes to the financial statements as Note 6.

In accordance with requirements set forth by the California State System's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

June 30, 2012:

	Salaries	Employee Benefits	Supplies Material and Other Expenses and Services [1]	Other Outgo [1]	Depreciation	Total
Instructional activities	$ 19,131,669	$ 4,591,343	$ 1,228,990	$ -	$ -	$ 24,952,002
Academic support	3,092,553	1,238,778	-	-	-	4,331,331
Student services	5,200,922	2,139,108	3,576,420	190,966	-	11,107,416
Plant operations and maintenance	2,259,004	927,994	2,402,578	-	-	5,589,576
Instructional support services	4,138,834	2,955,370	2,284,011	-	-	9,378,215
Community services and economic development	-	-	22,913	-	-	22,913
Ancillary services and auxiliary operations	730,467	448,944	1,433,210	-	-	2,612,621
Student Aid	-	-	-	21,576,450	-	21,576,450
Physical property and related acquisitions	-	-	41,890,328	4,912,135	-	46,802,463
Depreciation expense	-	-	-	-	3,624,993	3,624,993
Total	$ 34,553,449	$ 12,301,537	$ 52,838,450	$ 26,679,551	$ 3,624,993	$ 129,997,980

June 30, 2011:

	Salaries	Employee Benefits	Supplies Material and Other Expenses and Services [1]	Other Outgo [1]	Depreciation	Total
Instructional activities	$ 20,410,704	$ 4,313,822	$ 1,835,580	$ -	$ -	$ 26,560,106
Academic support	3,331,693	2,190,003	-	-	-	5,521,696
Student services	5,685,934	2,199,384	1,785,402	85,207	-	9,755,927
Plant operations and maintenance	2,256,126	931,422	2,496,716	-	-	5,684,264
Instructional support services	4,700,340	2,067,452	4,038,655	-	-	10,806,447
Community services and economic development	420	42	9,741	-	-	10,203
Ancillary services and auxiliary operations	794,027	446,698	960,139	-	-	2,200,864
Student Aid	-	-	-	23,426,397	-	23,426,397
Physical property and related acquisitions	-	-	36,152,499	3,979,898	-	40,132,397
Depreciation expense	-	-	-	-	3,108,171	3,108,171
Total	$ 37,179,244	$ 12,148,823	$ 47,278,732	$ 27,491,502	$ 3,108,171	$ 127,206,472

Year ended June 30, 2010:

	Salaries	Employee Benefits	Supplies Material and Other Expenses and Services [1]	Other Outgo [1]	Depreciation	Total
Instructional activities	$ 20,876,156	$ 4,370,232	$ 3,077,666	$ -	$ -	$ 28,324,054
Academic support	3,190,398	1,933,196		-	-	5,123,594
Student services	5,848,823	2,147,057	1,303,041	86,184	-	9,385,105
Plant operations and maintenance	2,215,179	881,855	2,398,491	-	-	5,495,525
Instructional support services	4,871,477	1,981,920	2,888,179	275	-	9,741,851
Community services and economic development	46,472	15,868	11,652	-	-	73,992
Ancillary services and auxiliary operations	777,560	379,832	402,780	1,145,010	-	2,705,182
Student Aid	-	-	-	20,455,508	-	20,455,508
Physical property and related acquisitions	-	-	7,449,736	2,910,827	-	10,360,563
Depreciation expense	-	-	-	-	2,434,597	2,434,597
Total	$ 37,826,065	$ 11,709,960	$ 17,531,545	$ 24,597,804	$ 2,434,597	$ 94,099,971

[1] Adjustments have not been made regarding GASB 35 conversion from the fund information presented by the District.

Statement of Cash Flows for the Year Ended June 30, 2012, 2011, and 2010 (in thousands)

	2012	2011	Difference	2010	Difference
CASH PROVIDED BY (USED IN)					
Operating activities	$ (80,882)	$ (79,360)	$ (1,522)	$ (78,479)	$ (881)
Noncapital financing activities	81,498	83,048	(1,550)	80,346	2,702
Capital financing activities	(13,985)	(5,422)	(8,563)	(7,976)	2,554
Investing activities	826	1,744	(918)	1,450	294
Net Increase (Decrease) in Cash and Cash Equivalents	$ (12,543)	$ 10	$ (12,553)	$ (4,659)	$ 4,669

The Statement of Cash Flows provides information about cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing.

The primary operating receipts are student tuition and fees and Federal, State, and local grants and contracts. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff, as well as District administrators.

While State apportionment and property taxes are the primary source of non-capital related revenue, the new GASB accounting standards require that this source of revenue is shown as nonoperating revenue as it come from the general resources of the State and not from the primary users of the colleges' programs and services (students). The District depends upon this funding as the primary source of funds to continue the current level of operations.

ECONOMIC FACTORS AFFECTING THE FUTURE OF COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

As the economy of the State goes, so goes the economic fate of the California Community Colleges, and fiscal year 2011-2012 was not a good year for the State. The Governor's May Revise included a 9.1% estimated workload reduction with the caveat that it could be as high as 14.3% reduction and 0% COLA in FTES rates, the final budget workload reduction was 6.22%. State funding allocations continued to include intra-year as well as inter-year deferments which caused additional interest costs to the District. College of the Sequoias continues negotiations with two bargaining units for the year.

There are currently no other known facts, decisions, or conditions that will have a significant effect on the financial position (net assets) or results of operations (revenues, expenses, and changes in net assets) of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Leangela Miller-Hernandez, Dean Fiscal Services at the College of the Sequoias Community College District, 915 South Mooney Blvd., Visalia, California 93277, or e-mail at leangelam@cos.edu.

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET ASSETS – PRIMARY GOVERNMENT
JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
Current Assets		
Cash and investments	$ 3,710,568	$ 4,839,637
Restricted investments	27,247,838	38,661,559
Accounts receivable	13,250,422	12,824,381
Student loans receivable	2,204,946	2,512,648
Prepaid expenses - current portion	431,155	154,359
Stores inventories	285,884	351,024
Total Current Assets	47,130,813	59,343,608
Noncurrent Assets		
Promissory note receivable-project house	499,702	531,910
Unamortized costs of issuance and discounts	2,689,070	2,675,726
Net Plan Asset - OPEB Trust	4,812,811	4,447,386
Nondepreciable capital assets	86,231,225	48,856,475
Depreciable capital assets	125,798,573	123,266,303
Less: Accumulated depreciation	(29,805,010)	(26,670,987)
Total Noncurrent Assets	190,226,371	153,106,813
TOTAL ASSETS	237,357,184	212,450,421
LIABILITIES		
Current Liabilities		
Accounts payable	2,903,027	6,114,423
Deferred revenue	5,055,600	4,841,595
Amounts held in custody on behalf of others	1,540,162	1,636,288
Compensated absences/banked leave - current portion	995,816	1,039,530
Long-term liabilities - current portion	2,107,112	2,333,577
Total Current Liabilities	12,601,717	15,965,413
Noncurrent Liabilities		
Municipal lease	4,500,000	6,000,000
Compensated absences/banked leave - noncurrent portion	786,493	754,300
Long-term liabilities - noncurrent portion	109,683,950	97,591,814
Total Noncurrent Liabilities	114,970,443	104,346,114
TOTAL LIABILITIES	127,572,160	120,311,527
NET ASSETS		
Invested in capital assets, net of related debt	92,236,264	76,428,287
Restricted for:		
Debt service	10,825,543	8,347,034
Capital projects	1,207,856	1,186,975
Other activities	326,333	322,240
Unrestricted	5,189,028	5,854,358
TOTAL NET ASSETS	$ 109,785,024	$ 92,138,894

The accompanying notes are an integral part of these financial statements.

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS – PRIMARY GOVERNMENT FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
OPERATING REVENUES		
Tuition and Fees, net	$ 3,097,923	$ 3,726,796
Auxiliary Sales and Charges		
Cafeteria	743,537	839,721
Farm	448,720	731,915
TOTAL OPERATING REVENUES	4,290,180	5,298,432
OPERATING EXPENSES		
Salaries	34,553,449	37,179,244
Employee benefits	12,301,537	12,148,823
Supplies, materials, and other operating expenses and services	34,925,753	35,975,672
Depreciation	3,624,993	3,108,171
TOTAL OPERATING EXPENSES	85,405,732	88,411,910
OPERATING LOSS	(81,115,552)	(83,113,478)
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	30,396,033	34,172,257
Local property taxes, levied for general purposes	9,430,575	9,518,445
Taxes levied for other specific purposes	6,401,569	3,963,661
State taxes and other local revenues	2,020,653	2,676,243
Grants and Contracts, noncapital:		
Federal	22,853,740	24,444,422
State	6,511,311	5,739,987
Investment income	793,442	1,735,181
Principal expense on capital related debt	608,662	-
Interest expense on capital related debt	(5,951,281)	(5,570,427)
Other non-operating revenues	4,237,137	2,836,944
TOTAL NON-OPERATING REVENUES (EXPENSES)	77,301,841	79,516,713
INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES	(3,813,711)	(3,596,765)
OTHER REVENUES		
State revenues, capital	21,217,403	19,978,936
Local revenues, capital	242,438	178,236
TOTAL OTHER REVENUES AND EXPENSES	21,459,841	20,157,172
CHANGE IN NET ASSETS	17,646,130	16,560,407
NET ASSETS, BEGINNING OF YEAR	92,138,894	75,578,487
NET ASSETS, END OF YEAR	$ 109,785,024	$ 92,138,894

The accompanying notes are an integral part of these financial statements.

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 3,619,257	$ 2,886,226
Payments to vendors for supplies and services	(38,957,577)	(34,121,727)
Payments to or on behalf of employees	(46,639,674)	(49,854,096)
Auxiliary enterprise sales and charges	1,192,257	1,571,636
Other operating receipts (payments)	(96,126)	158,088
Net Cash Flows Used In Operating Activities	(80,881,863)	(79,359,873)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	28,606,048	33,315,468
Noncapital grants and contracts	29,374,973	32,353,438
Property taxes - non debt related	15,832,144	13,482,106
State taxes and other apportionments	3,552,030	796,960
Other nonoperating	4,133,277	3,100,223
Net Cash Flows From Noncapital Financing Activities	81,498,472	83,048,195
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(40,637,339)	(34,800,665)
Proceeds from capital debt	14,428,488	17,861,924
State revenue, capital projects	21,217,403	19,978,936
Local revenue, capital projects	242,438	178,236
Proceeds from sale/disposal of capital assets	182,741	287,955
Deferred cost on issuance	(13,344)	(639,693)
Principal paid on capital debt	(4,062,817)	(2,718,302)
Interest and cost of issuance paid on capital debt	(5,342,619)	(5,570,427)
Net Cash Flows Used In Capital Financing Activities	(13,985,049)	(5,422,036)
CASH FLOWS FROM INVESTING ACTIVITIES		
Promissory note-project house	32,208	8,865
Interest received from investments	793,442	1,735,181
Net Cash Flows From Investing Activities	825,650	1,744,046
NET CHANGE IN CASH AND CASH EQUIVALENTS	(12,542,790)	10,332
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	43,501,196	43,490,864
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 30,958,406	$ 43,501,196

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT, Continued
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	$ (81,115,552)	$ (83,113,478)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation expense	3,624,993	3,108,171
Changes in Assets and Liabilities:		
Receivables	(118,339)	3,333,529
Note receivable	32,208	8,865
Inventories	65,140	(3,505)
Prepaid expenses	(276,796)	368,616
Accounts payable	(3,211,396)	(3,687,386)
Deferred revenue	214,005	467,227
Funds held for others	(96,126)	158,088
Total Adjustments	233,689	3,753,605
Net Cash Flows From Operating Activities	$ (80,881,863)	$ (79,359,873)
NON CASH TRANSACTIONS		
On behalf payments for benefits	$ 921,292	$ 859,695

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2012 AND 2011

	2012		2011	
	Agency Funds	**Trust Funds**	**Agency Funds**	**Trust Funds**
ASSETS				
Deposits and investments	$ 140,509	$ 1,190,884	$ 238,085	$ 5,896,160
Receivables	42,116	711,199	43,125	560,310
Total Assets	182,625	1,902,083	281,210	6,456,470
LIABILITIES				
Accounts payable	(143,047)	20,232	(36,042)	209
Due to other funds	2,732	3,929	5,589	-
Deferred revenue	62,408	598,292	70,268	491,678
Total Liabilities	(77,907)	622,453	39,815	491,887
NET ASSETS				
Restricted	260,532	1,279,630	241,395	5,964,583
Total Net Assets	$ 260,532	$ 1,279,630	$ 241,395	$ 5,964,583

The accompanying notes are an integral part of these financial statements.

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012		2011	
	Agency Funds	**Trust Funds**	**Agency Funds**	**Trust Funds**
ADDITIONS				
Federal revenues	$ 19,762,540	$ -	$ 21,176,317	$ -
State revenues	1,678,142	-	1,694,177	-
Local revenues	248,760	2,124,190	273,243	1,335,201
Total Revenues	21,689,442	2,124,190	23,143,737	1,335,201
DEDUCTIONS				
Current Expenditures				
Classified salaries	26,240	39,279	51,047	27,641
Employee benefits	19,079	17,356	29,963	14,600
Books and supplies	179,426	47,312	195,870	57,479
Services and operating expenditures	1,344	2,044,326	2,257	268,836
Student financial aid	21,576,450	-	23,007,516	-
Debt service - principal	-	33,634	-	32,035
Debt service - interest and other	-	56,381	-	57,965
Total Expenditures	21,802,539	2,259,823	23,286,653	458,556
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(113,097)	(135,633)	(142,916)	876,645
OTHER FINANCING SOURCES (USES)				
Operating transfers in	179,088	35,371	169,200	172
Operating transfers out	(46,853)	(15,000)	(38,172)	(15,000)
Total Other Financing Sources (Uses)	132,235	20,371	131,028	(14,828)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	19,138	(115,262)	(11,888)	861,817
FUND BALANCE, BEGINNING OF YEAR	241,394	1,394,892	253,283	5,102,766
FUND BALANCE, END OF YEAR	$ 260,532	$ 1,279,630	$ 241,395	$ 5,964,583

The accompanying notes are an integral part of these financial statements.

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT - COLLEGE OF THE SEQUOIAS FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 249,658	$ 597,952
Short-term investments	7,086,178	6,556,513
Accounts receivable - current portion	6,634	523,937
Nondepreciable fixed assets - project house work in process	344,478	256,175
TOTAL ASSETS	$ 7,686,948	$ 7,934,577
LIABILITIES		
TOTAL LIABILITIES	$ -	$ -
NET ASSETS		
Unrestricted	5,838,113	5,947,443
Temporarily restricted	415,373	541,689
Permanently restricted	1,433,463	1,445,445
TOTAL NET ASSETS	7,686,949	7,934,577
TOTAL LIABILITIES AND NET ASSETS	$ 7,686,949	$ 7,934,577

The accompanying notes are an integral part of these financial statements.

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT - COLLEGE OF THE SEQUOIAS FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS:				
Contributions	$ 432,915	$ 272,474	$ -	$ 705,389
Revenues:				
Investment income	119,341	147	-	119,488
Fundraisers	190,070	-	-	190,070
Program fees	238,694	-	-	238,694
Miscellaneous	-	125	-	125
Loss on sale of assets	-	-	-	-
Transfers	(31,875)	31,875	-	-
Net assets released from restrictions	442,919	(430,937)	(11,982)	-
Total Support and Revenue	1,392,064	(126,316)	(11,982)	1,253,766
EXPENSES:				
Scholarships	345,275	-	-	345,275
College enhancement	924,903	-	-	924,903
Fundraisers	71,867	-	-	71,867
General administrative	69,522	-	-	69,522
Total Expenses	1,411,567	-	-	1,411,567
UNREALIZED (LOSS) ON INVESTMENTS	(89,827)	-	-	(89,827)
CHANGE IN NET ASSETS	(109,330)	(126,316)	(11,982)	(247,628)
NET ASSETS, BEGINNING OF YEAR	5,947,443	541,689	1,445,445	7,934,577
NET ASSETS, END OF YEAR	$ 5,838,113	$ 415,373	$ 1,433,463	$ 7,686,949

The accompanying notes are an integral part of these financial statements.

2011
Total
$ 1,609,974
105,769
-
-
-
(23,712)
-
-
1,692,031
451,115
1,016,321
16,073
33,436
1,516,945
786,576
961,662
6,972,915
$ 7,934,577

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT - COLLEGE OF THE SEQUOIAS FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (247,628)	$ 961,662
Adjustments to reconcile net assets provided by operating activities:		
Interest revenue	(119,488)	(105,769)
Realized gain on sale of investments	-	23,712
Unrealized gain on investments	89,827	(786,576)
Increase in operating assets:		
Accounts receivable	517,303	508,809
Prepaid expense	(88,303)	(91,175)
Net Cash Provided by Operating Activities	151,711	510,663
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sale of investments	(500,005)	(983,217)
Net Cash Provided/(Used) by Investing Activities	(500,005)	(983,217)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(348,294)	(472,554)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	597,952	1,070,506
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 249,658	$ 597,952

The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANIZATION

The College of the Sequoias Community College District (the District) was established in 1926 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of Tulare and Kings Counties. The District operates under a locally elected five member-Board of Trustees form of government, which establishes the policies and procedures by which the District operates. Currently, the District operates one college with three campuses located in the County of Tulare, State of California. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.* This statement amends GASB Statement No. 14, *The Financial Reporting Entity,* to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit"; the "environment and ability to access/influence reporting," and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component unit:

- **College of the Sequoias Foundation**

  The College of the Sequoias Foundation (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The 39 member board of the Foundation consists of community members, alumni, and other supporters of the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District with the inclusion of the statements as a discretely presented component unit. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

  The Foundation is a not-for-profit organization under Internal Revenue Code (IRC) Section 501(c)(3) that reports its financial results in accordance with Financial Accounting Standards Codifications. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences.

Complete financial statements for the Foundation can be obtained from the Foundation's Business Office at 915 South Mooney Blvd., Visalia, CA 93277.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees and auxiliary activities through the bookstore and cafeteria.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussions and Analysis for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussions and Analysis for Public Colleges and Universities,* as amended by GASB Statements No. 37 and No. 38. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
    - Statement of Net Assets
    - Statement of Revenues, Expenses, and Changes in Net Assets
    - Statement of Cash Flows
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the statement of cash flows. Restricted cash and cash equivalents represented balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2012 and 2011, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. The allowance for the student related accounts receivable is $1,763,804 and $1,382,986 for the fiscal years ending June 30, 2012 and 2011, respectively. This allowance is based upon management's estimates and analysis. Management has analyzed these accounts and believes the net amounts are fully collectable.

Prepaid Expenses

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services and that will benefit periods beyond June 30. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

Inventories

Inventories consists primarily of farm livestock and cafeteria food and supplies held for resale to the students and faculty of the colleges. Inventories are stated at cost, utilizing the weighted average method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 25 to 50 years; equipment, 5 to 10 years; vehicles 5 to 10 years.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Deferred Issuance Costs, Premiums, and Discounts

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. The District also participates in "load-banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met are recorded as deferred revenue.

Noncurrent Liabilities

Noncurrent liabilities include bonds and certificates of participation, compensated absences, capital lease obligations and lease revenue bonds with maturities greater than one year.

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets" and represent the difference between assets and liabilities. Net assets are classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Invested in Capital Assets, Net of Related Debt: Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets – net of related debt.

Restricted - Expendable: Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time. Net assets may be restricted for capital projects, debt repayment, and/or educational programs.

None of the District's restricted net assets have resulted from enabling legislation adopted by the District.

Unrestricted: Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for economic uncertainties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The Counties of Tulare, Kings, and Fresno bill and collect the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed numerous General Obligation Bonds for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected.

Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations,* and the related *Compliance Supplement.*

On Behalf Payments

GASB Statement No. 24 requires direct on behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on behalf payments to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of all community colleges in California. The California Department of Education has issued a fiscal advisory instructing districts not to record the revenue and expenditures for the on behalf payments within the funds and accounts of a district. The amount of the on behalf payments made for the District for the year ended June 30, 2012, was $921,292 for CalSTRS. There were no on-behalf contributions made to CalPERS. These amounts are reflected in the District's audited financial statements.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

Foundation Financial Statement Presentation

The College of the Sequoias Foundation presents its financial statements in accordance with Statement of Financial Accounting Codifications. Under these reporting requirements, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the codification, the Foundation does not use fund accounting.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Unrestricted Net Assets – Net assets not subject to donor-imposed restrictions.

Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting. Revenues are reported as increases in the unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are recorded at their fair market value on the date of the donation.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value in accordance with FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*.

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Codes.

New Accounting Pronouncements

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended, based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier implementation is encouraged.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section (ECS) 41001). The fair value of the District's investment in the pool is reported in the accounting 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.

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Summary of Deposits and Investments

Deposits and investments as of June 30, 2012 and 2011, consist of the following:

	2012	2011
Cash on hand and in banks	$ 651,894	$ 1,345,604
Cash in revolving	50,000	50,000
Investments	30,256,512	42,105,592
Total Deposits and Investments	$ 30,958,406	$ 43,501,196

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

June 30, 2012

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	$ 30,049,512	$ -	$ 30,049,512	$ -	$ -
State Investment Pool	207,000	207,000	-	-	-
Held by Trustee:					
GASB 45 Trust-Balanced Portfolio	4,787,030	4,787,030	-	-	-
Total	$ 35,043,542	$ 4,994,030	$ 30,049,512	$ -	$ -

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

June 30, 2012

			Rating as of Year End		
Investment Type	Fair Value	Minimum Legal Rating	AAA	Aa	Unrated
County Pool	$ 30,049,512	N/A	$ -	$ -	$ 30,049,512
State Investment Pool	207,000	N/A	-	-	207,000
Held by Trustee:					
GASB 45 Trust-Balanced Portfolio	4,787,030	N/A	-	-	4,787,030
Total	$ 35,043,542		$ -	$ -	$ 35,043,542

N/A - Not applicable

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. Investments in any one issuer that represent five percent or more of the total investments are as follows:

June 30, 2012

Issuer	Investment Type	Reported Amount
GASB 45 Trust-Balanced Portfolio	Balanced Portfolio	$ 4,787,030

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2012, the District's bank balance of $725,014 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in the GASB 45 Trust-balanced portfolio of $4,787,030 the District has a custodial credit risk exposure of $4,787,030 because the related securities are uninsured, unregistered, and held by the brokerage firm which is also the counterparty for these securities.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012 and 2011, consisted of intergovernmental grants, entitlements, interest, and other local sources and are as follows:

	Primary Government	
	2012	2011
Federal Government		
Categorical aid	$ 288,078	$ 475,257
State Government		
Apportionment	9,994,809	8,183,289
Categorical aid	203,693	380,125
Lottery	250,111	725,940
Other state sources	1,502,909	2,382,025
Local Sources	1,010,822	677,745
Subtotal	13,250,422	12,824,381
Student loans and grants receivable, net	2,204,946	2,512,648
Total	$ 15,455,368	$ 15,337,029

Discretely Presented Component Unit

The Foundation's accounts receivable consist primarily of short-term donations. In the opinion of management, all amounts have been deemed to be fully collectable.

NOTE 5 - PREPAID EXPENDITURES

Prepaid expenditures at June 30, 2012 and 2011, consisted of the following:

	2012	2011
Vendor payments	$ 431,155	$ 154,359

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 11,062,408	$ (81)	$ -	$ 11,062,327
Construction in progress	37,794,067	37,374,831	-	75,168,898
Total Capital Assets Not Being Depreciated	48,856,475	37,374,750	-	86,231,225
Capital Assets Being Depreciated				
Land improvements	8,732,582	1,788,648	-	10,521,230
Buildings and improvements	106,703,879	1,200,830	317,100	107,587,609
Furniture and equipment	7,829,842	251,458	391,566	7,689,734
Total Capital Assets Being Depreciated	123,266,303	3,240,936	708,666	125,798,573
Total Capital Assets	172,122,778	40,615,686	708,666	212,029,798
Less Accumulated Depreciation				
Land improvements	3,383,819	409,744	-	3,793,563
Buildings and improvements	18,072,160	2,635,738	217,349	20,490,549
Furniture and equipment	5,215,008	614,466	308,576	5,520,898
Total Accumulated Depreciation	26,670,987	3,659,948	525,925	29,805,010
Net Capital Assests	$ 145,451,791	$ 36,955,738	$ 182,741	$ 182,224,788

Depreciation expense for the year was $3,659,948.

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 9,897,328	$ 1,165,080	$ -	$ 11,062,408
Construction in progress	44,395,829	28,321,978	34,923,740	37,794,067
Total Capital Assets Not Being Depreciated	54,293,157	29,487,058	34,923,740	48,856,475
Capital Assets Being Depreciated				
Land improvements	6,955,423	1,788,751	11,592	8,732,582
Buildings and improvements	69,231,652	37,598,224	125,997	106,703,879
Furniture and equipment	7,965,117	828,719	963,994	7,829,842
Total Capital Assets Being Depreciated	84,152,192	40,215,694	1,101,583	123,266,303
Total Capital Assets	138,445,349	69,702,752	36,025,323	172,122,778
Less Accumulated Depreciation				
Land improvements	3,024,826	358,993	-	3,383,819
Buildings and improvements	16,070,539	2,068,429	66,808	18,072,160
Furniture and equipment	5,296,677	665,151	746,820	5,215,008
Total Accumulated Depreciation	24,392,042	3,092,573	813,628	26,670,987
Net Capital Assests	$ 114,053,307	$ 66,610,179	$ 35,211,695	$ 145,451,791

Depreciation expense for the year was $3,092,573.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2012 and 2011, consisted of the following:

	Primary Government	
	2012	2011
Vendor invoices	$ 2,013,210	$ 5,625,198
State apportionment	510,760	489,225
Benefits	112,368	-
Deferred payroll	266,689	-
Total	$ 2,903,027	$ 6,114,423

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2012 and 2011, consisted of the following:

	Primary Government	
	2012	2011
Federal financial assistance	$ 150,974	$ 192,808
State categorical aid	688,560	735,752
State other	402,569	387,445
Student fees	2,105,057	1,849,387
Other local	1,708,440	1,676,203
Total	$ 5,055,600	$ 4,841,595

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payable (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary for June 30, 2012

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due in One Year
Certificates of participation 2001	$ 123,334	$ -	$ 123,334	$ -	$ -
Certificates of participation 2002	2,700,000	-	120,000	2,580,000	125,000
Certificates of participation 2004	3,335,000	-	90,000	3,245,000	90,000
General Obligation Bonds 2006, A (Hanford):					
Current interest	13,540,000	-	-	13,540,000	-
Capital appreciation	1,708,548	159,819	60,000	1,808,367	60,000
General Obligation Bonds 2008, B (Hanford):					
Current interest	4,545,000	-	15,000	4,530,000	25,000
Capital appreciation	2,921,676	215,584	-	3,137,260	-
General Obligation Bonds 2008, A (Tulare):					
Current interest	14,205,000	-	-	14,205,000	-
Capital appreciation	6,573,348	607,474	930,000	6,250,822	535,000
General Obligation Bonds 2008, B (Tulare):					
Current interest	3,650,000	-	-	3,650,000	-
Capital appreciation	6,459,860	529,281	-	6,989,141	-
General Obligation Bonds 2008, A (Visalia):					
Current interest	13,750,000	-	-	13,750,000	-
Capital appreciation	5,193,387	556,906	435,000	5,315,293	480,000
General Obligation Bonds, 2008, B (Visalia):					
Current interest	4,650,000	-	-	4,650,000	-
Capital appreciation	398,036	47,063	-	445,099	-
General Obligation Bonds 2008, C (Visalia):					
Current interest	3,755,000	-	-	3,755,000	-
Capital appreciation	1,283,717	123,627	-	1,407,344	-
Unamortized premium on bonds	6,991,752	687,723	518,421	7,161,054	518,421
Lease Revenue Bonds, Series 2010A	3,235,000	-	85,000	3,150,000	85,000
Bond Anticipation Note (Tulare)	-	11,501,011	-	11,501,011	-
Capital leases	906,733	-	186,062	720,671	188,691
Total	$ 99,925,391	$ 14,428,488	$ 2,562,817	$ 111,791,062	$ 2,107,112
Accumulated vacation/banked leave - net	$ 1,793,830	$ -	$ 11,521	$ 1,782,309	$ 995,816
Deferred Issuance Costs and Discounts [1]	$ 2,675,726	$ 182,006	$ 168,662	$ 2,689,070	$ 168,662

Payments on the Certificates of Participation are paid by the General Fund and the Student Center Trust. Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local property tax revenues. Payments on the capital leases are made by the General Fund.

Summary for June 30, 2011

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due in One Year
Certificates of participation					
1997 Energy project	$ 223,333	$ -	$ 223,333	$ -	$ -
Certificates of participation 2001	241,667	-	118,333	123,334	123,334
Certificates of participation 2002	2,815,000	-	115,000	2,700,000	120,000
Certificates of participation 2004	3,420,000	-	85,000	3,335,000	90,000
General Obligation Bonds 2006, A (Hanford):					
Current interest	13,540,000	-	-	13,540,000	-
Capital appreciation	1,593,029	145,519	30,000	1,708,548	60,000
General Obligation Bonds 2008, B (Hanford):					
Current interest	4,545,000	-	-	4,545,000	15,000
Capital appreciation	2,720,536	201,140	-	2,921,676	-
General Obligation Bonds 2008, A (Tulare):					
Current interest	14,205,000	-	-	14,205,000	-
Capital appreciation	6,734,558	638,790	800,000	6,573,348	930,000
General Obligation Bonds 2008, B (Tulare):					
Current interest	-	3,650,000	-	3,650,000	-
Capital appreciation	-	6,459,860	-	6,459,860	-
General Obligation Bonds 2008, A (Visalia):					
Current interest	13,750,000	-	-	13,750,000	-
Capital appreciation	4,999,317	544,070	350,000	5,193,387	435,000
General Obligation Bonds, 2008, B (Visalia):					
Current interest	4,650,000	-	-	4,650,000	-
Capital appreciation	356,006	42,030	-	398,036	-
General Obligation Bonds 2008, C (Visalia):					
Current interest	-	3,755,000	-	3,755,000	-
Capital appreciation	-	1,283,717	-	1,283,717	-
Unamortized premium on bonds	6,098,044	1,141,798	248,090	6,991,752	289,181
Lease Revenue Bonds, Series 2010A	3,310,000	-	75,000	3,235,000	85,000
Capital leases	1,090,279	-	183,546	906,733	186,062
Total	$ 84,291,769	$ 17,861,924	$2,228,302	$ 99,925,391	$ 2,333,577
Accumulated vacation/banked leave - net	$ 1,834,005	$ -	$ 40,175	$ 1,793,830	$ 1,039,530
Deferred Issuance Costs and Discounts [1]	$ 2,036,033	$ 721,281	$ 81,588	$ 2,675,726	$ 107,994

Payments on the Certificates of Participation are paid by the General Fund. Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local property tax revenues. Payments on the capital leases are made by the General and Bookstore Funds.

Certificates of Participation

In November 2001, the College of Sequoias Community College District, through a partnership with the City of Hanford and Hanford Joint Union High School District issued certificates of participation in the amount of $3,175,000. The proceeds of the sale are being used for the developing and operating a new comprehensive high school, a city sports park, a vocational training campus and an off campus center for the College of Sequoias. Each of the partners in the project are responsible for one-third of the liability which for the District amounts to $965,000.

In November 2002, the College of the Sequoias Community College District, through the California School Board Association Financing Corporation, issued certificates of participation in the amount of $3,700,000 with interest rates ranging from 2.00 percent to 3.50 percent. The proceeds of the sale were used for the retirement of the previous 1997 certificate of participation for $3,460,000.

The certificates mature through 2027 as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 125,000	$ 125,200	$ 250,200
2014	125,000	120,200	245,200
2015	130,000	115,200	245,200
2016	140,000	110,000	250,000
2017	145,000	103,000	248,000
2018-2022	840,000	399,000	1,239,000
2023-2027	1,075,000	166,250	1,241,250
Total	$ 2,580,000	$ 1,138,850	$ 3,718,850

In January 2005, the College of the Sequoias Community College District, through the California School Board Association Financing Corporation, issued certificates of participation in the amount of $3,945,000 with interest rates ranging from 2.00 percent to 4.35 percent. The proceeds of the sale were used to finance the renovation of the bookstore and student center facility.

The certificates mature through 2034 as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 90,000	$ 147,680	$ 237,680
2014	95,000	144,305	239,305
2015	100,000	140,505	240,505
2016	100,000	136,505	236,505
2017	105,000	132,505	237,505
2018-2022	600,000	593,798	1,193,798
2023-2027	750,000	443,889	1,193,889
2028-2032	955,000	247,238	1,202,238
2033-2034	450,000	32,300	482,300
Total	$ 3,245,000	$ 2,018,725	$ 5,263,725

Bonded Debt

The District's bonded debt is summarized as follows:

Year Issued	Campus	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2011	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2012
General obligation bonds:								
2006	Hanford	2/1/2033	3.58-4.25	$ 14,999,982	$ 15,248,548	$ 159,819	$ 60,000	$ 15,348,367
2008	Hanford	2/1/2034	1.85-6.99	6,995,778	7,466,676	215,584	15,000	7,667,260
2008	Tulare	8/1/2033	2.4-6.36	19,998,219	20,778,348	607,474	930,000	20,455,822
2011	Tulare	8/1/2040	3.28-7.62	10,004,927	10,109,860	529,281	-	10,639,141
2008	Visalia	8/1/2033	2.4-6.22	17,997,404	18,943,387	556,906	435,000	19,065,293
2010	Visalia	8/1/2039	5.1-6.610	4,999,652	5,048,036	47,063	-	5,095,099
2011	Visalia	8/1/2036	4.12-7.74	4,995,439	5,038,717	123,627	-	5,162,344
Lease revenue bonds:								
2010	Hanford	6/1/2035	3.00-5.28	3,310,000	3,235,000	-	85,000	3,150,000
Bond Anticipation Note:								
2012	Tulare	9/1/2013	3.00	11,501,011	-	11,501,011	-	11,501,011
	Total				$ 85,868,572	$ 13,740,765	$ 1,525,000	$ 98,084,337

2006 Hanford Series A, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2013	$ -	$ 677,000	$ 677,000
2014	-	677,000	677,000
2015	-	677,000	677,000
2016	-	677,000	677,000
2017	-	677,000	677,000
2018-2022	-	3,385,000	3,385,000
2023-2027	4,105,000	3,028,250	7,133,250
2028-2032	7,390,000	1,698,500	9,088,500
2033	2,045,000	51,125	2,096,125
Total	$ 13,540,000	$ 11,547,875	$ 25,087,875

2006 Hanford Series A, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2013	$ 100,000	$ 90,400	$ 9,600
2014	145,000	118,494	26,506
2015	200,000	147,760	52,240
2016	245,000	181,006	63,994
2017	290,000	193,720	96,280
2018-2022	2,215,000	1,076,987	1,138,013
Total	$ 3,195,000	$ 1,808,367	$ 1,386,633

2008 Hanford Series B, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2013	$ 25,000	$ 188,288	$ 213,288
2014	210,000	187,538	397,538
2015	315,000	181,238	496,238
2016	335,000	171,788	506,788
2017	355,000	161,738	516,738
2018-2022	2,185,000	589,051	2,774,051
2023-2024	1,105,000	383,750	1,488,750
Total	$ 4,530,000	$ 1,863,391	$ 6,393,391

2008 Hanford Series B, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2030	$ 4,560,000	$ 1,458,288	$ 3,101,712
2033	2,205,000	562,275	1,642,725
2034	5,855,000	1,116,697	4,738,303
Total	$ 12,620,000	$ 3,137,260	$ 9,482,740

2008 Tulare Series A, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2013	$ -	$ 764,313	$ 764,313
2014	-	764,313	764,313
2015	-	764,313	764,313
2016	-	764,313	764,313
2017	-	764,313	764,313
2018-2022	-	3,821,565	3,821,565
2023-2027	1,440,000	3,821,565	5,261,565
2028-2032	9,905,000	2,501,539	12,406,539
2033-2034	2,860,000	169,950	3,029,950
Total	$ 14,205,000	$ 14,136,184	$ 28,341,184

2008 Tulare Series A, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2013	$ 535,000	$ 535,000	$ -
2014	560,000	505,568	54,432
2015	610,000	497,150	112,850
2016	665,000	489,307	175,693
2017	725,000	481,690	243,310
2018-2022	4,560,000	2,219,827	2,340,173
2023-2026	4,940,000	1,522,280	3,417,720
Total	$ 12,595,000	$ 6,250,822	$ 6,344,178

2008 Tulare Series B, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2013	$ -	$ 178,625	$ 178,625
2014	-	178,625	178,625
2015	-	178,625	178,625
2016	-	178,625	178,625
2017	-	178,625	178,625
2018-2022	1,020,000	855,925	1,875,925
2023-2027	595,000	653,807	1,248,807
2028-2032	2,035,000	367,112	2,402,112
Total	$ 3,650,000	$ 2,769,969	$ 6,419,969

2008 Tulare Series B, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2016	$ 220,000	$ 155,100	$ 64,900
2017-2019	750,000	418,092	331,908
2033-2037	11,880,000	1,781,385	10,098,615
Total	$ 12,850,000	$ 2,354,577	$ 10,495,423

2008 Tulare Series B, Capital Appreciation Term General Obligation Bonds:

Mandatory sinking fund requirements:

Year Ending June 30,	Value at Mandatory Redemption Date	Accreted Obligation	Interest to Accrete
2038-2041	$ 12,737,439	$ 1,737,164	$ 11,000,275

Final Maturity:

Year Ending June 30,	Value at Maturity
2041	$ 14,285,000

2008 Tulare Series B, Convertible Capital Appreciation Term General Obligation Bonds:

Capital Appreciation Term Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2022	$ 5,500,000	$ 2,897,400	$ 2,602,600

Upon maturity of capital appreciation term bonds, current interest bond payment requirements:

Year Ending June 30,	Principal	Interest	Total
2023-2027	$ -	$ 1,993,750	$ 1,993,750
2028-2032	-	1,993,750	1,993,750
2033-2037	-	1,993,750	1,993,750
2038-2041	5,500,000	1,390,550	6,890,550
Total	$ 5,500,000	$ 7,371,800	$ 12,871,800

2008 Visalia Series A, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2013	$ -	$ 738,300	$ 738,300
2014	-	738,300	738,300
2015	-	738,300	738,300
2016	-	738,300	738,300
2017	-	738,300	738,300
2018-2022	-	3,691,500	3,691,500
2023-2027	2,425,000	3,631,388	6,056,388
2028-2032	8,810,000	2,216,938	11,026,938
2033-2034	2,515,000	147,950	2,662,950
Total	$ 13,750,000	$ 13,379,276	$ 27,129,276

2008 Visalia Series A, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2013	$ 480,000	$ 480,000	$ -
2014	530,000	474,456	55,544
2015	580,000	464,812	115,188
2016	630,000	451,962	178,038
2017	685,000	439,907	245,093
2018-2022	4,340,000	1,992,652	2,347,348
2023-2025	3,420,000	1,011,504	2,408,496
Total	$ 10,665,000	$ 5,315,293	$ 5,349,707

2008 Visalia Series B, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2013	$ -	$ 232,500	$ 232,500
2014	-	232,500	232,500
2015	-	232,500	232,500
2016	-	232,500	232,500
2017	-	232,500	232,500
2018-2022	-	1,162,500	1,162,500
2023-2027	-	1,162,500	1,162,500
2028-2032	-	1,162,500	1,162,500
2033-2037	-	1,162,500	1,162,500
2038-2040	4,650,000	590,000	5,240,000
Total	$ 4,650,000	$ 6,402,500	$ 11,052,500

2008 Visalia Series B, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2034-2038	$ 5,820,000	$ 445,099	$ 5,374,901

2008 Visalia Series C, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2013	$ -	$ 206,525	$ 206,525
2014	-	206,525	206,525
2015	-	206,525	206,525
2016	-	206,525	206,525
2017	-	206,525	206,525
2018-2022	-	1,032,625	1,032,625
2023-2027	-	1,032,625	1,032,625
2028-2032	-	1,032,625	1,032,625
2033-2037	3,755,000	934,175	4,689,175
Total	$ 3,755,000	$ 5,064,675	$ 8,819,675

2008 Visalia Series C, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2018-2022	$ 270,000	$ 111,983	$ 381,983
2023-2027	965,000	226,015	1,191,015
2028-2032	1,500,000	218,682	1,718,682
2035	4,520,000	850,664	5,370,664
Total	$ 7,255,000	$ 1,407,344	$ 8,662,344

Lease Revenue Bonds

2010 Series A, Lease Revenue Bonds:

Year Ending June 30,	Principal	Interest	Total
2013	$ 85,000	$ 142,056	$ 227,056
2014	90,000	139,506	229,506
2015	90,000	136,806	226,806
2016	95,000	134,106	229,106
2017	100,000	131,256	231,256
2018-2022	550,000	600,675	1,150,675
2023-2027	670,000	473,587	1,143,587
2028-2032	855,000	292,430	1,147,430
2033-2035	615,000	64,063	679,063
Total	$ 3,150,000	$ 2,114,485	$ 5,264,485

Premiums on Issuances

The following premiums on the District' bonds will be amortized over the life of the obligation:

Issuance	Campus	Unamortized Premium
2006, Series B	Hanford	$ 337,594
2008, Series A	Tulare	2,375,798
2008, Series B	Tulare	664,272
2008, Series A	Visalia	2,216,959
2008, Series B	Visalia	671,514
2008, Series C	Visalia	436,435
Bond Anticipation Note	Tulare	458,482
Total unamortized premium		$ 7,161,054

Accumulated Unpaid Employee Compensation

The long-term portion of accumulated unpaid employee compensation and banked leave for the District at June 30, 2012, amounted to $1,782,309.

Capital Leases

The District's liability on capital lease agreements with options to purchase is summarized below:

Year Ending June 30,	Lease Payment
2013	$ 214,144
2014	87,186
2015	87,186
2016	87,186
2017	87,186
2018-2020	277,611
Total	840,499
Less: Amount Representing Interest	119,828
Present Value of Minimum Lease Payments	$ 720,671
Balance, July 1, 2011	$ 906,733
Additions	-
Payments	186,062
Balance, June 30, 2012	$ 720,671

NOTE 11 - MUNICIPAL LEASE-LINE OF CREDIT

The District entered into a lease with Valley Business Bank totaling $4,500,000 with a current rate as of June 30, 2012, of 1.9175 percent. The District's principal balance of draws totals $4,500,000.

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Plan Description

The Retiree Health Benefits Funding Program Plan (the Plan) is a single-employer defined benefit healthcare plan administered by College of the Sequoias Community College District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 100 retirees and beneficiaries currently receiving benefits and 351 active plan members. Separate financial statements are not prepared for the Trust.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2011-12, the District contributed $1,139,705 to the Plan, all of which was used for current premiums (approximately 82 percent of total premiums). Plan members receiving benefits contributed $255,961, or approximately 18 percent of total premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The table presented in the Required Supplementary Information section of this report shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan.

Annual required contribution	$ (1,022,816)
Interest on net OPEB obligation	(222,369)
Interest earned, net of expenses, on net plan assets	217,339
Adjustment to annual required contribution	253,566
Annual OPEB cost (expense)	(774,280)
Contributions made	1,139,705
Change in net OPEB asset/prepaid	365,425
Net OPEB asset, beginning of year	4,447,386
Net OPEB asset, end of year	$ 4,812,811

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past three years is as follows:

Year Ended June 30,	Annual OPEB Cost	Contribution	Percentage Contributed	Net OPEB Asset
2012	$ 774,280	$ 1,139,705	147%	$ 4,812,811
2011	1,022,816	1,802,527	92%	4,447,386
2010	979,191	1,520,771	100%	3,667,675

Funding Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
September 1, 2010	$ 4,569,691	$ 11,194,114	$ 6,624,423	40.8%	$ 36,201,781	18.3%

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the August 25, 2008, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. The healthcare cost trend rate was 4.0 percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2009, was 30 years. The actuarial value of assets was not determined in this actuarial valuation. At June 30, 2012, the Trust held net assets in the amount of $4,812,811, which consisted of deposits with Union Bank in the Retiree Health Benefits Funding Program JPA.

NOTE 13 - RISK MANAGEMENT

Health and Welfare

Employee health coverage benefits are covered by the Central Valley Trust joint powers agency through contribution made by the District. The District provides health insurance benefits to District employees, their families, and retired employees of the District.

Property and Liability

During fiscal year ending June 30, 2012, the District contracted with the Tulare County Schools Self Insurance Authority Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

During fiscal year ending June 30, 2012, the District participated in the Tulare County Schools Insurance Group, an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active members are required to contribute 8.0 percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-12 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2012, 2011, and 2010, were $1,570,296, $1,662,171, and $1,772,795, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (7.0 percent of monthly salary over $133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2011-12 was 10.923 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2012, 2011, and 2010, were $1,627,886, $1,718,929, and $1,659,190, respectively, and equaled 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to $921,292 (4.855 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

APPLE

Active plan members are required to contribute 5.2 percent of their salary and the College of the Sequoias Community College District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the APPLE Board of Administration. The required employer contribution rate for fiscal year 2011-12 was 2.3 percent of annual payroll. The contribution requirements of the plan members are established by State statute.

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Tulare County Schools Insurance Group, Schools Excess Liability Fund, and the Central Valley Trust public entity risk pools. The District pays an annual premium to each entity for its health, property and liability and workers' compensation coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

The District has appointed no Board members to the Governing Board of the Tulare County Schools Insurance Group, Tulare County Schools Self Insurance Authority, and Central Valley Trust.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2012, the District made payments of $607,704, $504,512, and $6,292,301 to the Tulare County Schools Insurance Group, Tulare County Schools Self Insurance Authority, and the Central Valley Trust, respectively.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2012. The pending litigation is related to negotiations between the District and one of the District's bargaining units.

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date.

Construction Commitments

As of June 30, 2012, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment
Tulare Phase I - State funding	$ 4,688,978
Tulare Phase I - Local funding	432,650
Tulare Phase III - Local funding	3,657,512
North Admin - State funding	767,045
Kern HVAC - Local funding	259,092
Total	$ 9,805,277

The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

Deferral of State Apportionments

Certain apportionments owed to the District for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2011-12 fiscal year have been deferred to the 2012-13 fiscal year. The total amount of funding deferred into the 2012-13 fiscal year related to State apportionment was $9,994,809. As of October 29, 2012, the District had received deferred funding. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years.

NOTE 17 - TAX AND REVENUE ANTICIPATION NOTES

At July 1, 2011, the District had outstanding Tax and Revenue Anticipation Notes in the amount of $5,775,000, which matured on June 29, 2012. By June 29, 2012, the District had placed 100 percent of principal and interest with the Fiscal Agent for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
2011 0.661% TRANS	$ -	$ 5,775,000	$ 5,775,000	$ -

REQUIRED SUPPLEMENTARY INFORMATION

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2012

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
September 1, 2010	$ 4,569,691	$ 11,194,114	$ 6,624,423	40.8%	$ 36,201,781	18.3%
May 1, 2008	$ 3,877,849	$ 10,739,299	$ 6,861,450	36.1%	$ 39,020,868	17.6%

SUPPLEMENTARY INFORMATION

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2012

The College of the Sequoias Community College District is located in Visalia, California. The College was established in 1926 and serves communities in Tulare and Kings Counties. There have been no changes to the District boundaries during the year. The District's main campus and Hanford Satellite Campus are each accredited by the Western Association of Schools and Junior Colleges.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Mr. Greg Sherman	President	2014
Mrs. Lori Cardoza	Vice President	2012
Mr. Earl Mann	Clerk	2012
Mr. Kenneth Nunes	Member	2014
Mr. John A. Zumwalt	Member	2014
Mr. Jason Chau	Student Trustee	2012

ADMINISTRATION

Mr. Brent Calvin	Interim Superintendent/President
Mr. Duncan Graham	Vice President, Academic Services
Ms. Frances Gusman	Vice President, Student Services
Mr. Douglas Brinkley	Interim Vice President, Administrative Services

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION		
Student Financial Aid Cluster:		
Supplemental Educational Opportunity Grants	84.007	$ 256,397
Supplemental Educational Opportunity Grants Administration	84.007	12,823
Federal Work Study	84.033	280,395
TANF 50% Federal Calworks	84.033	44,182
Federal Work Study Administration	84.033	13,976
Pell Grant	84.063	19,506,143
Pell Grant Administration	84.063	54,394
Total Student Financial Aid Cluster		20,168,310
Title V Hispanic Serving Institute ATD	84.031S	576,693
Title V Hispanic Serving Institute PASEO	84.031S	629,344
TRIO Upward Bound Math/Science	84.047M	202,092
TRIO/SSS	84.047M	227,184
Vocational and Applied Technology Education Act (VTEA)		
Title II, Part C Student Support	84.048	490,624
Subtotal		2,125,937
U.S. DEPARTMENT OF VETERAN AFFAIRS		
Veteran's Education	64.112	1,534
Subtotal		1,534
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed Through the California Department of Education:		
Foster Care Education	93.658	121,302
MediCal Administrative Activities	93.778	118,068
Subtotal		239,370
U.S. DEPARTMENT OF LABOR		
Workforce Investment Act	17.258	276,794
Subtotal		276,794
U.S. DEPARTMENT OF AGRICULTURE		
Schools and Roads Cluster:		
Flood Control	10.665	516
Forest Reserve	10.665	9,334
Total Schools and Roads Cluster		9,850
USDA Nutrition Program	10.557	31,945
Subtotal		41,795
Total Federal Expenditures		$ 22,853,740

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
STATE PROJECTS			
BFAP Administration Allowance	$ 435,650	$ 943	436,593
Block Grant Instructional Materials	-	9,174	9,174
Basic Skills	129,762	185,665	315,427
Cal Works	267,059	281,115	548,174
Cal Grant	1,678,091	-	1,678,091
CARE	128,730	-	128,730
Career Technical Education - Transitions	46,970	-	46,970
Career Technical Education - Enrollment Growth	203,687	-	203,687
Career Technical Education - Pathway #5	348,000	-	348,000
Career Technical Education - Pathways Initiative	-	536,043	536,043
Disabled Students Programs and Services	647,214	939	648,153
Department of Rehabilitation Workability III	113,372	-	113,372
Economic Development Applied Competitive Tech Manufacturing	205,000	-	205,000
Extended Opportunity Program and Services	705,313	-	705,313
Lottery Prop 20	310,207	-	310,207
Independent Living	22,500	-	22,500
Matriculation	305,925	-	305,925
Part Time Faculty Office Hours	1,981	-	1,981
Part Time Faculty Parity	172,899	-	172,899
Staff Development	-	2,545	2,545
Staff Diversity	5,592	-	5,592
State Preschool	168,512	-	168,512
TANF	44,182	-	44,182
Telecom and Tech. Grant - TTIP	-	-	-
TTIP	-	1,382	1,382
Total State Programs	$ 5,940,646	$ 1,017,806	$ 6,958,452

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Prior Year Carryforward	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
$ 435,650	$ 943	$ -	$ -	$ 436,593	$ 436,593
-	9,174	-	9,174	-	-
129,762	185,665	-	217,288	98,139	98,139
267,059	-	-	-	267,059	267,059
1,678,091	-	-	-	1,678,091	1,678,091
128,370	-	-	-	128,370	128,370
-	-	46,970	-	46,970	46,970
171,097	-	32,590	-	203,687	203,687
208,800	-	-	208,800	-	-
-	536,043	-	250,853	285,190	285,190
648,153	-	-	-	648,153	648,153
71,801		33,509		105,310	105,310
123,001	-	81,999	-	205,000	205,000
705,313	-	-	-	705,313	705,313
179,680		130,527	-	310,207	310,207
13,872	-	8,626	-	22,498	22,498
305,925	-	-	-	305,925	305,925
-	1,981	-	-	1,981	1,981
172,899	-	-	-	172,899	172,899
-	2,545	-	2,445	100	100
5,592	-	-	-	5,592	5,592
168,512	-	-	-	168,512	168,512
44,182	-	-	-	44,182	44,182
-	1,382	-	-	1,382	1,382
-	-	-	-	-	-
$ 5,457,759	$ 737,733	$ 334,221	$ 688,560	$ 5,841,153	$ 5,841,153

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE AS OF JUNE 30, 2012

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	7,654.49	-	7,654.49
(b) Daily Census Contact Hours	315.75	-	315.75
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	449.23	-	449.23
(b) Credit	199.92	-	199.92
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Contact Hours	449.27	-	449.27
(b) Daily Census Contact Hours	186.83	-	186.83
D. Total FTES	9,255.49	-	9,255.49
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)			
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	449.25	-	449.25
2. Credit	455.18	-	455.18
CCFS-320 Addendum			
CDCP Noncredit FTES	49.11	-	49.11
Centers FTES			
1. Noncredit	-	-	-
2. Credit	1,171.38	-	1,171.38

** Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to supplementary information.

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2012

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 11,170,655	$ -	$ 11,170,655	$ 11,170,655	$ -	$ 11,170,655
Other	1300	4,843,361	-	4,843,361	4,844,111	-	4,844,111
Total Instructional Salaries		16,014,016	-	16,014,016	16,014,766	-	16,014,766
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	4,080,124	-	4,080,124
Other	1400	-	-	-	252,371	-	252,371
Total Noninstructional Salaries		-	-	-	4,332,495	-	4,332,495
Total Academic Salaries		16,014,016	-	16,014,016	20,347,261	-	20,347,261
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	6,743,532	-	6,743,532
Other	2300	-	-	-	501,159	-	501,159
Total Noninstructional Salaries		-	-	-	7,244,691	-	7,244,691
Instructional Aides							
Regular Status	2200	388,600	-	388,600	497,877	-	497,877
Other	2400	343,375	-	343,375	343,375	-	343,375
Total Instructional Aides		731,975	-	731,975	841,252	-	841,252
Total Classified Salaries		731,975	-	731,975	8,085,943	-	8,085,943
Employee Benefits	3000	4,592,712	-	4,592,712	10,536,448	-	10,536,448
Supplies and Material	4000	-	-	-	755,538	-	755,538
Other Operating Expenses	5000	69,524	-	69,524	4,129,058	-	4,129,058
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		21,408,227	-	21,408,227	43,854,248	-	43,854,248

See accompanying note to supplementary information.

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2012

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 479,412	$ -	$ 479,412	$ 479,412	$ -	$ 479,412
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	56,014	-	56,014
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,125,333	-	1,125,333
Objects to Exclude							
Rents and Leases	5060	-	-	-	181,574	-	181,574
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	115,234	-	115,234
Total Supplies and Materials		-	-	-	115,234	-	115,234

See accompanying note to supplementary information.

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2012

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 Reported Data	Audit Adjustments	Revised Data	ECS 84362 B Total CEE AC 0100 - 6799 Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 1,203,245	$ -	$ 1,203,245
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		479,412	-	479,412	3,160,812	-	3,160,812
Total for ECS 84362, 50 Percent Law		$ 20,928,815	$ -	$ 20,928,815	$ 40,693,436	$ -	$ 40,693,436
Percent of CEE (Instructional Salary Cost/Total CEE)		51.43%		51.43%	100.00%		100.00%
50% of Current Expense of Education					$ 20,346,718		$ 20,346,718

See accompanying note to supplementary information.

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report (CCFS-311) and the audited financial statements.

	General	Bond Interest and Redemption	Self Insurance
FUND BALANCE			
Balance, June 30, 2012, (CCFS-311)	$ 2,716,645	$ 10,664,095	$ 1,260,914
Post closing adjustments			
Increase in:			
Cash in county treasury-FMV	91,320	161,448	-
Accounts payable	-	-	(806,135)
Balance, June 30, 2012, Audited	$ 2,807,965	$ 10,825,543	$ 454,779

See accompanying note to supplementary information.

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF FUND BALANCE SHEETS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Total Fund Balance/Retained Earnings:		**$ 34,488,516**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 210,284,974	
Accumulated depreciation is	(28,916,983)	181,367,991
Debt issuance costs associated with the Districts debt issuances are reflected as expenditures in the governmental statements but are reflected as prepaid expenses and are amortized over the life of the debt.		2,689,070
In accordance with GASB 45, the amount funded by the District in excess of cumulative required contributions is reflected on the entity-wide statements as a Net Plan Asset - OPEB Trust but is not reported in the Fund financial statements.		4,812,818
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable	94,934,337	
Certificates of participation	5,825,000	
Unamortized premium on bonds	7,161,054	
Compensated absences and banked time	1,782,309	
Capital leases payable and lease revenue bonds	3,870,671	(113,573,371)
Total Net Assets		**$ 109,785,024**

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2012

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Schedule of Expenditures of State Awards

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

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils 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, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

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

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's internal fund financial statements.

Reconciliation of Governmental Funds to the Statement of Net Assets

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

INDEPENDENT AUDITORS' REPORTS

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' 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
College of the Sequoias Community College District
Visalia, California

We have audited the basic financial statements of College of the Sequoias Community College District (the District) and its discretely presented component unit for the years ended June 30, 2012 and 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 7, 2013. We conducted our audits 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.

Internal Control Over Financial Reporting

The management of College of the Sequoias Community College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered College of the Sequoias Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of College of the Sequoias Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of College of the Sequoias Community College District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as previously defined.

6051 N. Fresno Street, Suite 101 Fresno, CA 93710 Tel: 559.248.0871 Fax: 559.248.0875 www.vtdcpa.com

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether College of the Sequoias 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 audits 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*.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's Federal and State awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
January 7, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
College of the Sequoias Community College District
Visalia, California

Compliance

We have audited College of the Sequoias Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of College of the Sequoias Community College District's major Federal programs for the year ended June 30, 2012. College of the Sequoias Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of College of the Sequoias Community College District's management. Our responsibility is to express an opinion on College of the Sequoias Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about College of the Sequoias Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of College of the Sequoias Community College District's compliance with those requirements.

In our opinion, College of the Sequoias Community College District complied, in all material respects, with the 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, 2012.

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Internal Control Over Compliance

The management of College of the Sequoias Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered College of the Sequoias Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of College of the Sequoias 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.

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 that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as previously defined.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's Federal and State awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
January 7, 2013

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

REPORT ON STATE COMPLIANCE

Board of Trustees
College of the Sequoias Community College District
Visalia, California

We have audited the basic financial statements of College of the Sequoias Community College District (the District), as of and for the year ended June 30, 2012, and have issued our report thereon dated January 7, 2013.

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 of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of College of the Sequoias Community College District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the College of the Sequoias Community College District's compliance with the State laws and regulations in accordance with Section 400 of the Chancellor's Office *California Community Colleges Contracted District Audit Manual (CDAM)* issued in May 2012 applicable to the following items:

Section 421	Salaries of Classroom Instructors: 50 Percent Law
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 431	Gann Limit Calculation
Section 433	California Work Opportunity and Responsibility to Kids (CalWORKS)
Section 435	Open Enrollment
Section 437	Student Fee – Instructional and Other Materials
Section 438	Student Fees – Health Fees and Use of Health Fees
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 476	Curriculum and Instruction
Section 479	To Be Arranged (TBA) Hours

6051 N. Fresno Street, Suite 101 Fresno, CA 93710 Tel: 559.248.0871 Fax: 559.248.0875 www.vtdcpa.com

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The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

The District reports no attendance within class subject to the TBA Hours; therefore, the compliance tests within this section were not applicable.

Based on our audit, we found that for the items tested, the College of the Sequoias Community College District complied with the State laws and regulations referred to above. Our audit does not provide a legal determination on College of the Sequoias Community College District's compliance with the State laws and regulations referred to above.

This report is intended solely for the information of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
January 7, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2012

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	No
Identification of major programs:	

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.063	Student Financial Aid Cluster
84.031S	Title V Hispanic Serving Institute ATD
84.031S	Title V Hispanic Serving Institute PASEO

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for State programs:	Unqualified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2012

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

State Awards Findings and Questioned Costs

2011-1 TBA Hours

Finding

Program Affected: To Be Arranged Hours (TBA)

Fiscal Year: 2010-11

Criteria or Specific Requirement

Student Attendance Accounting Manual

Condition

During the audit of to be arranged hours (TBA) compliance requirements, we noted TBA hours were not published in the official on-line catalog and in the official schedule of classes for the following courses:

- DRAM 019AD - Rehearsal and Performance 1
- FASH 012AB– Costuming
- FASH 012AB– Makeup
- NURS 153 - Promoting Pediatric Wellness Lab
- NURS 161 - Maintaining Optimal Wellness-Lab

During the audit of to be arranged hours (TBA) compliance requirements, we noted that the District is required to maintain attendance records of compliance as of census date and supporting documentation such as the attendance roster. VTD noted that documentation to demonstrate that TBA hours were fulfilled in a manner that documents the days, times, and the number of TBA hours fulfilled was not kept for the following classes:

- MATH 405 – Augmented Instruction in Math

Questioned Costs

Not applicable

Effect

Without procedures and effective review process of compliance requirements, the District will not comply with applicable program laws and regulations.

Recommendation

We recommend that the District enhance internal controls and implement procedures to periodically review policies and procedures to enhance District is in compliance with all applicable program laws and regulations.

Current Status

Implemented.

ADDITIONAL SUPPLEMENTARY INFORMATION

GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2012

	General	Other Special Revenue	Bond Interest and Redemption
ASSETS			
Cash and cash equivalents	$ 1,746,544	$ 221,964	$ 10,664,095
Investments	-	-	161,448
Accounts receivable	12,923,176	134,376	-
Student loans receivable	1,493,845	-	-
Due from other funds	153,206	-	-
Prepaid expenses	161,072	-	-
Total Assets	$ 16,477,843	$ 356,340	$ 10,825,543
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	$ 2,757,915	$ -	$ -
Due to other funds	2,238,147	30,007	-
Other liabilities	4,500,000	-	-
Deferred revenue	4,173,816	-	-
Total Liabilities	13,669,878	30,007	-
FUND EQUITY			
Fund Balances			
Nonspendable	-	-	-
Restricted	-	326,333	10,825,543
Unassigned	2,807,965	-	-
Total Fund Equity	2,807,965	326,333	10,825,543
Total Liabilities and Fund Equity	$ 16,477,843	$ 356,340	$ 10,825,543

See accompanying note to additional supplementary information.

Capital Outlay Projects	Revenue Bond Construction	Farm Construction	Total Governmental Fund (Memorandum Only)
$ 1,293,626	$ 15,068,153	$ -	$ 28,994,382
-	-	90,394	251,842
417,735	-	-	13,475,287
-	-	-	1,493,845
-	-	1,150,000	1,303,206
8,353	259,844	1,500	430,769
$ 1,719,714	$ 15,327,997	$ 1,241,894	$ 45,949,331
$ 289,574	$ 740,549	$ 188	$ 3,788,226
1,200	-	-	2,269,354
-	-	-	4,500,000
221,084	-	-	4,394,900
511,858	740,549	188	14,952,480
8,353	259,844	1,500	269,697
1,199,503	14,327,604	1,240,206	27,919,189
-	-	-	2,807,965
1,207,856	14,587,448	1,241,706	30,996,851
$ 1,719,714	$ 15,327,997	$ 1,241,894	$ 45,949,331

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	General	Other Special Revenue	Bond Interest and Redemption
REVENUES			
Federal revenues	$ 3,091,200	$ -	$ -
State revenues	37,249,855	-	-
Local revenues	14,205,680	416,941	6,526,043
Total Revenues	54,546,735	416,941	6,526,043
EXPENDITURES			
Current Expenditures			
Academic salaries	22,502,569	151,692	-
Classified salaries	11,263,391	95,005	-
Employee benefits	12,094,075	47,486	-
Books and supplies	1,514,934	28,731	-
Services and operating expenditures	5,627,657	52,898	212,006
Student financial aid	307,404	-	-
Capital outlay	453,994	4,331	-
Debt service - principal	266,926	-	1,476,717
Debt service - interest and other issuance costs	372,024	-	3,046,534
Total Expenditures	54,402,974	380,143	4,735,257
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	143,761	36,798	1,790,786
OTHER FINANCING SOURCES (USES)			
Operating transfers in	393,566	-	-
Operating transfers out	(551,613)	(32,706)	-
Other sources	-	-	687,723
Total Other Financing Sources (Uses)	(158,047)	(32,706)	687,723
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(14,286)	4,092	2,478,509
FUND BALANCE, BEGINNING OF YEAR	2,822,251	322,241	8,347,034
FUND BALANCE, END OF YEAR	$ 2,807,965	$ 326,333	$ 10,825,543

See accompanying note to additional supplementary information.

Capital Outlay Projects	Revenue Bond Construction	Farm Construction	Total Governmental Fund (Memorandum Only)
$ -	$ -	$ -	$ 3,091,200
21,217,403	-	-	58,467,258
281,030	361,026	9,129	21,799,849
21,498,433	361,026	9,129	83,358,307
-	-	-	22,654,261
-	-	167,081	11,525,477
-	-	-	12,141,561
-	1,669	-	1,545,334
217,761	1,152,093	21,595	7,284,010
-	-	-	307,404
21,254,693	19,241,218	-	40,954,236
-	176,878	-	1,920,521
-	236,588	-	3,655,146
21,472,454	20,808,446	188,676	101,987,950
25,979	(20,447,420)	(179,547)	(18,629,643)
-	-	-	393,566
-	-	-	(584,319)
-	11,501,011	-	12,188,734
-	11,501,011	-	11,997,981
25,979	(8,946,409)	(179,547)	(6,631,662)
1,181,877	23,533,857	1,421,253	37,628,513
$ 1,207,856	$ 14,587,448	$ 1,241,706	$ 30,996,851

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS
BALANCE SHEETS
JUNE 30, 2012

	Enterprise Funds				Internal Service Fund
	Bookstore	Cafeteria	Farm	Total	
ASSETS					
Cash and cash equivalents	$ -	$ 49,634	$ 158,388	$ 208,022	$ 172,767
Accounts receivable	-	16,669	215,954	232,623	-
Due from other funds	-	-	1,200	1,200	1,088,147
Stores inventories	-	3,363	282,521	285,884	-
Furniture and equipment (net)	-	380,636	718,301	1,098,937	-
Total Assets	$ -	$ 450,302	$ 1,376,750	$ 1,827,052	$ 1,260,914
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	$ -	$ 157,372	$ 56,418	$ 213,790	$ 806,135
Due to other funds	116,348	-	190	116,538	-
Total Liabilities	116,348	157,372	56,608	330,328	806,135
FUND EQUITY					
Retained earnings	(116,348)	292,930	1,320,142	1,496,724	454,779
Total Liabilities and Fund Equity	$ -	$ 450,302	$ 1,376,750	$ 1,827,052	$ 1,260,914

See accompanying note to additional supplementary information.

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Funds			
	Bookstore	**Cafeteria**	**Farm**	**Total**
OPERATING REVENUES				
Sales revenues	$ -	$ 743,537	$ 379,757	$ 1,123,294
OPERATING EXPENSES				
Classified salaries	-	247,825	60,367	308,192
Employee benefits	-	106,414	17,127	123,541
Books and supplies	-	332,603	198,093	530,696
Services and other operating expenditures	-	63,388	590,225	653,613
Capital outlay	-	18,763	-	18,763
Total Operating Expenses	-	768,993	865,812	1,634,805
Operating Income (Loss)	-	(25,456)	(486,055)	(511,511)
NONOPERATING REVENUES (EXPENSES)				
Interest income	-	-	1,305	1,305
Miscellaneous revenues	23,479	-	57,539	81,018
Operating transfers in	-	-	-	-
Other uses	-	-	-	-
Total Nonoperating Revenues (Expenses)	23,479	-	58,844	82,323
NET INCOME (LOSS)	23,479	(25,456)	(427,211)	(429,188)
RETAINED EARNINGS, BEGINNING OF YEAR	(139,827)	318,386	1,747,353	1,925,912
RETAINED EARNINGS, END OF YEAR	$ (116,348)	$ 292,930	$ 1,320,142	$ 1,496,724

See accompanying note to additional supplementary information.

Internal Service Fund
$ -
-
-
-
51,836
-
51,836
(51,836)
16,925
-
38,147
-
55,072
3,236
451,543
$ 454,779

FIDUCIARY FUNDS
BALANCE SHEETS
JUNE 30, 2012

	Agency Funds		
	Associated Students	Student Financial Aid	Scholarship and Loan
ASSETS			
Cash and cash equivalents	$ 239,823	$ (146,344)	$ 47,030
Investments	-	-	-
Accounts receivable	53	-	42,063
Student loans receivable, net	-	-	-
Total Assets	$ 239,876	$ (146,344)	$ 89,093
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	$ 186	$ (143,053)	$ (180)
Due to other funds	2,732	-	-
Deferred revenue	62,408	-	-
Total Liabilities	65,326	(143,053)	(180)
FUND EQUITY			
Fund Balances			
Restricted	174,550	(3,291)	89,273
Total Fund Equity	174,550	(3,291)	89,273
Total Liabilities and Fund Equity	$ 239,876	$ (146,344)	$ 89,093

See accompanying note to additional supplementary information.

	Total Agency Funds	Trust Funds: GASB 45 Trust	Trust Funds: Other Trust	Total Trust Funds	Total Fiduciary Funds
	$ 140,509	$ -	$ 1,190,884	$ 1,190,884	$ 1,331,393
	-	-	-	-	-
	42,116	-	98	98	42,214
	-	-	711,101	711,101	711,101
	$ 182,625	$ -	$ 1,902,083	$ 1,902,083	$ 2,084,708
	$ (143,047)	$ -	$ 20,232	$ 20,232	$ (122,815)
	2,732	-	3,929	3,929	6,661
	62,408	-	598,292	598,292	660,700
	(77,907)	-	622,453	622,453	544,546
	260,532	-	1,279,630	1,279,630	1,540,162
	260,532	-	1,279,630	1,279,630	1,540,162
	$ 182,625	$ -	$ 1,902,083	$ 1,902,083	$ 2,084,708

FIDUCIARY FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	Agency Funds		
	Associated Students	Student Financial Aid	Scholarship and Loan
REVENUES			
Federal revenues	$ -	$ 19,762,540	$ -
State revenues	-	1,678,142	-
Local revenues	247,475	-	1,285
Total Revenues	247,475	21,440,682	1,285
EXPENDITURES			
Current Expenditures			
Classified salaries	26,240	-	-
Employee benefits	19,079	-	-
Books and supplies	179,426	-	-
Services and operating expenditures	1,344	-	-
Student financial aid	-	21,576,450	-
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	226,089	21,576,450	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	21,386	(135,768)	1,285
OTHER FINANCING SOURCES (USES)			
Operating transfers in	44,188	134,900	-
Operating transfers out	(46,853)	-	-
Total Other Financing Sources (Uses)	(2,665)	134,900	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	18,721	(868)	1,285
FUND BALANCES, BEGINNING OF YEAR	155,829	(2,423)	87,988
FUND BALANCES, END OF YEAR	$ 174,550	$ (3,291)	$ 89,273

See accompanying note to additional supplementary information.

Total Agency Funds	Trust Funds: GASB 45 Trust	Trust Funds: Other Trust	Total Trust Funds	Total Fiduciary Funds
$ 19,762,540	$ -	$ -	$ -	$ 19,762,540
1,678,142	-	-	-	1,678,142
248,760	-	2,124,190	2,124,190	2,372,950
21,689,442	-	2,124,190	2,124,190	23,813,632
26,240	-	39,279	39,279	65,519
19,079	-	17,356	17,356	36,435
179,426	-	47,312	47,312	226,738
1,344	-	2,044,326	2,044,326	2,045,670
21,576,450	-	-	-	21,576,450
-	-	33,634	33,634	33,634
-	-	56,381	56,381	56,381
21,802,539	-	2,259,823	2,259,823	24,062,362
(113,097)	-	(135,633)	(135,633)	(248,730)
179,088	-	35,371	35,371	214,459
(46,853)	-	(15,000)	(15,000)	(61,853)
132,235	-	20,371	20,371	152,606
19,138	-	(115,262)	(115,262)	(96,124)
241,394	-	1,394,892	1,394,892	1,636,286
$ 260,532	$ -	$ 1,279,630	$ 1,279,630	$ 1,540,162

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION
JUNE 30, 2012

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of College of the Sequoias Community College District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the basic financial statements.