COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

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FINANCIAL SECTION

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit (College of the Sequoias Foundation) of College of the Sequoias Community College District (the District) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the District as of June 30, 2013 and 2012, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 62 for the year ended June 30, 2013. These changes require a restatement of the beginning net position of the District as discussed in Note 18. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 13 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 60 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 audits 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.

Other Information

Our audits were 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, as required by U.S. Office of Management and Budget (OMB) 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.

The supplementary information, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 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, 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* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 30, 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 Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The focus of the Statement of Net Position is designed to be similar to bottom line results for the District. This statement combines and consolidates current financial resources (net short-term spendable resources) with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Position 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 Position 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 Position 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.

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 2012-13 fiscal year, the District's actual FTES were comprised of 8,266.40 credit FTES and 311.23 non-credit FTES for a total of 8,577 FTES, which was a planned reduction from the prior year FTES. During the 2011-12 fiscal year, the District's actual FTES were comprised of 8,599.44 credit FTES and 433.86 non-credit FTES for a total of 9,033.30 FTES, which was a planned reduction 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 $2,737,411. 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 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 were completed in time for classes to be held 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 $18.6 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 POSITION
As of June 30, 2013, 2012, and 2011

	2013	2012	Change	2011	Change
ASSETS					
Current Assets					
Cash, investments, and short term receivables	$ 47,764	$ 46,414	$ 1,350	$ 58,839	$ (12,425)
Inventory and prepaids	574	717	(143)	505	212
Total Current Assets	48,338	47,131	1,207	59,344	(12,213)
Non-Current Assets					
Other non-current assets	8,023	8,002	21	7,655	347
Capital assets, net of depreciation	202,734	182,224	20,510	145,451	36,773
Total Assets	$259,095	$237,357	$ 21,738	$212,450	$ 24,907
LIABILITIES					
Current Liabilities					
Accounts payable and amount held in trust	3,527	4,443	(916)	7,750	(3,307)
Deferred revenue	5,784	5,056	728	4,842	214
Compensated absences - current	-	996	(996)	1,040	(44)
Long-term liabilites - current portion	13,320	2,107	11,213	2,333	(226)
Total Current Liabilites	22,631	12,602	10,029	15,965	(3,363)
Non-Current Liabilities					
Long-term liabilites	105,430	114,970	(9,540)	104,346	10,624
Total liabilities	128,061	127,572	489	120,311	7,261
NET POSITION					
Net investment in capital assets	100,955	92,236	8,719	76,428	15,808
Restricted for expendable purposes	15,025	12,360	2,665	9,856	2,504
Unrestricted	15,054	5,189	9,865	5,855	(666)
Total Net Position	131,034	109,785	21,249	92,139	17,646
Total Liabilities and Net Position	$259,095	$237,357	$ 21,738	$212,450	$ 24,907

This schedule has been prepared from the District's Statement of Net Position (page 14), 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 16 and 17).

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

	2013	2012	Difference	2011	Difference
OPERATING REVENUES					
Tuition and fees, net	$ 2,568	$ 3,098	$ (530)	$ 3,727	$ (629)
Auxiliary sales and charges	1,639	1,192	447	1,571	(379)
Total Operating Revenues	4,207	4,290	(83)	5,298	(1,008)
OPERATING EXPENSES					
Salaries and benefits	46,273	46,855	(582)	49,328	(2,473)
Other expenses	37,805	34,926	2,879	35,975	(1,049)
Depreciation	2,298	3,625	(1,327)	3,108	517
Total Operating Expenses	86,376	85,406	970	88,411	(3,005)
NET LOSS ON OPERATIONS	(82,169)	(81,116)	(1,053)	(83,113)	1,997
NONOPERATING REVENUES AND (EXPENSES)					
State apportionments	30,247	30,396	(149)	34,172	(3,776)
Property taxes	16,397	15,832	565	13,482	2,350
State revenues	1,647	2,021	(374)	2,676	(655)
Grants and contracts	28,828	29,365	(537)	30,184	(819)
Interest income	429	793	(364)	1,736	(943)
Principal expense	-	-	-	-	-
Interest expense	(3,301)	(5,343)	2,042	(5,570)	227
Other non-operating revenues	9,058	4,237	4,821	2,837	1,400
Total Nonoperating Revenues	83,305	77,301	6,004	79,517	(2,216)
OTHER REVENUES					
State revenues, capital	10,225	21,217	(10,992)	19,979	1,238
Local revenues, capital	588	243	345	178	65
Total Other Revenues	10,813	21,460	(10,647)	20,157	1,303
NET INCREASE (DECREASE) IN NET POSITION	11,949	$ 17,645	$ (5,696)	$ 16,561	$ 1,084
PRIOR PERIOD ADJUSTMENT	9,300				
NET CHANGE IN FUND BALANCE	$ 21,249				

This schedule has been prepared from the Statement of Revenues, Expenses and Changes in Net Position presented on page 15.

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 position of $21.2 million, which included $9.3 million from the prior period adjustment explained in Note 18 of the Notes to Financial Statements.

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 11 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 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, 2013

	Salaries	Employee Benefits	Supplies Material and Other Expenses and Services [1]	Other Outgo [1]	Depreciation	Total
Instructional activities	$ 19,047,600	$ 4,280,407	$ 1,239,730	$ -	$ -	$ 24,567,737
Academic support	2,915,348	1,062,126	-	-	-	3,977,474
Student services	5,173,633	1,997,139	5,065,788	67,859	-	12,304,419
Plant operations and maintenance	1,490,609	821,439	2,477,446	-	-	4,789,494
Instructional support services	4,671,873	2,750,714	2,698,540	-	-	10,121,127
Community services and economic development	435,034	57,144	452,194	-	-	944,372
Ancillary services and auxiliary operations	1,147,527	422,579	1,407,606	-	63,073	3,040,785
Student Aid	-	-	-	20,469,962	-	20,469,962
Physical property and related acquisitions	-	-	14,737,341	4,422,025	-	19,159,366
Depreciation expense	-	-	-	-	2,235,027	2,235,027
Total	$ 34,881,624	$ 11,391,548	$ 28,078,645	$ 24,959,846	$ 2,298,100	$ 101,609,763

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

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

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

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

[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, 2013, 2012, and 2011 (in thousands)

	2013	2012	Difference	2011	Difference
CASH PROVIDED BY (USED IN)					
Operating activities	$ (78,268)	$ (80,882)	$ 2,614	$ (79,360)	$ (1,522)
Noncapital financing activities	85,792	81,498	4,294	83,048	(1,550)
Capital financing activities	(6,775)	(13,985)	7,210	(5,422)	(8,563)
Investing activities	462	826	(364)	1,744	(918)
Net Increase (Decrease) in Cash and Cash Equivalents	$ 1,211	$ (12,543)	$ 13,754	$ 10	$ (12,553)

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 2012-2013 with the passage of Prop 30 by the voters in November allowed the State to begin recovery from the devastating cuts of fiscal 2009-2010 through fiscal year 2011-2012. The Governor's May Revise included a 7.3% estimated workload reduction if Prop 30 was not passed by voters in November and 0% COLA in FTES rates. To be conservative, the college adopted fiscal year 2012-2013 budget at the 7.3% reduction. With the passage of Prop 30 the 7.3% reduction was removed and $472,000 was provided to restore prior year reductions. 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 settled negotiations with CSEA implementing a benefits cap. After completing fact-finding with COSTA the board imposed a benefits cap on COSTA which is now awaiting a PERB hearing. Management, confidentials and the Board also accepted a benefits cap.

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 POSITION – PRIMARY GOVERNMENT
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
Current Assets		
Cash and investments	$ 6,501,603	$ 3,710,568
Restricted investments	25,667,899	27,247,838
Accounts receivable	13,420,397	13,250,422
Student loans receivable	2,173,887	2,204,946
Prepaid expenses - current portion	179,813	431,155
Inventories	305,691	285,884
Other current assets -current portion	89,067	-
Total Current Assets	48,338,357	47,130,813
Noncurrent Assets		
Promissory note receivable-project house	467,117	499,702
Unamortized costs of issuance and discounts	2,520,408	2,689,070
Net Plan Asset - OPEB Trust	5,035,220	4,812,811
Nondepreciable capital assets	95,939,232	86,231,225
Depreciable capital assets	139,399,157	125,798,573
Less: Accumulated depreciation	(32,604,227)	(29,805,010)
Total Noncurrent Assets	210,756,907	190,226,371
TOTAL ASSETS	259,095,264	237,357,184
LIABILITIES		
Current Liabilities		
Accounts payable	2,043,454	2,903,027
Deferred revenue	5,783,745	5,055,600
Amounts held in custody on behalf of others	1,483,429	1,540,162
Long-term liabilities - current portion	13,320,492	2,107,112
Total Current Liabilities	22,631,120	11,605,901
Noncurrent Liabilities		
Municipal lease	5,000,000	4,500,000
Compensated absences/banked leave - noncurrent portion	1,710,824	1,782,309
Long-term liabilities - noncurrent portion	98,719,818	109,683,950
Total Noncurrent Liabilities	105,430,642	115,966,259
TOTAL LIABILITIES	128,061,762	127,572,160
NET POSITION		
Net investment in capital assets	100,954,364	92,236,264
Restricted for:		
Debt service	12,977,116	10,825,543
Capital projects	1,470,881	1,207,856
Other activities	576,797	326,333
Unrestricted	15,054,344	5,189,028
TOTAL NET POSITION	$ 131,033,502	$ 109,785,024

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 POSITION – PRIMARY GOVERNMENT FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
OPERATING REVENUES		
Tuition and Fees, net	$ 2,567,802	$ 3,097,923
Auxiliary Sales and Charges		
Cafeteria	685,256	743,537
Farm	954,134	448,720
TOTAL OPERATING REVENUES	4,207,192	4,290,180
OPERATING EXPENSES		
Salaries	34,881,624	34,553,449
Employee benefits	11,391,548	12,301,537
Supplies, materials, and other operating expenses and services	37,805,606	34,925,753
Depreciation	2,298,100	3,624,993
TOTAL OPERATING EXPENSES	86,376,878	85,405,732
OPERATING LOSS	(82,169,686)	(81,115,552)
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	30,247,367	30,396,033
Local property taxes, levied for general purposes	9,775,338	9,430,575
Taxes levied for other specific purposes	6,622,167	6,401,569
State taxes and other local revenues	1,647,127	2,020,653
Grants and Contracts, noncapital:		
Federal	21,847,709	22,853,740
State	6,980,150	6,511,311
Investment income	429,034	793,442
Interest expense on capital related debt	(3,301,822)	(5,342,619)
Other non-operating revenues	9,057,677	4,237,137
TOTAL NON-OPERATING REVENUES (EXPENSES)	83,304,747	77,301,841
INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES	1,135,061	(3,813,711)
OTHER REVENUES		
State revenues, capital	10,225,131	21,217,403
Local revenues, capital	588,277	242,438
TOTAL OTHER REVENUES AND EXPENSES	10,813,408	21,459,841
CHANGE IN NET POSITION	11,948,469	17,646,130
NET POSITION, BEGINNING OF YEAR AS RESTATED	119,085,033	92,138,894
NET POSITION, END OF YEAR	$ 131,033,502	$ 109,785,024

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, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 3,644,000	$ 3,619,257
Payments to vendors for supplies and services	(37,361,704)	(38,957,577)
Payments to or on behalf of employees	(46,132,742)	(46,639,674)
Auxiliary enterprise sales and charges	1,639,390	1,192,257
Other operating receipts (payments)	(56,733)	(96,126)
Net Cash Flows Used In Operating Activities	(78,267,789)	(80,881,863)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	23,006,561	28,606,048
Noncapital grants and contracts	35,854,916	29,374,973
Property taxes - non debt related	16,397,505	15,832,144
State taxes and other apportionments	1,782,678	3,552,030
Other nonoperating	8,750,249	4,133,277
Net Cash Flows From Noncapital Financing Activities	85,791,909	81,498,472
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(13,597,731)	(40,637,339)
Proceeds from capital debt	6,451,182	14,428,488
State revenue, capital projects	10,196,529	21,217,403
Local revenue, capital projects	588,277	242,438
Proceeds from sale/disposal of capital assets	1,084,949	182,741
Deferred cost on issuance	168,662	(13,344)
Principal paid on capital debt	(5,701,934)	(4,062,817)
Interest and cost of issuance paid on capital debt	(5,964,577)	(5,342,619)
Net Cash Flows Used In Capital Financing Activities	(6,774,643)	(13,985,049)
CASH FLOWS FROM INVESTING ACTIVITIES		
Promissory note-project house	32,585	32,208
Interest received from investments	429,034	793,442
Net Cash Flows From Investing Activities	461,619	825,650
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,211,096	(12,542,790)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	30,958,406	43,501,196
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 32,169,502	$ 30,958,406

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

STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT, Continued
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	$ (82,169,686)	$ (81,115,552)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation expense	2,298,100	3,624,993
Changes in Assets and Liabilities:		
Receivables	(19,807)	(118,339)
Note receivable	(138,916)	32,208
Inventories	(19,807)	65,140
Prepaid expenses	251,342	(276,796)
Accounts payable	859,573	(3,211,396)
Deferred revenue	728,145	214,005
Funds held for others	(56,733)	(96,126)
Total Adjustments	3,901,897	233,689
Net Cash Flows From Operating Activities	$ (78,267,789)	$ (80,881,863)
NON CASH TRANSACTIONS		
On behalf payments for benefits	$ 1,042,836	$ 921,292

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

STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2013 AND 2012

	2013		2012	
	Agency Funds	Trust Funds	Agency Funds	Trust Funds
ASSETS				
Deposits and investments	$ 387,186	$ 1,134,708	$ 140,509	$ 1,190,884
Receivables	28,626	539,323	42,116	711,199
Due from other funds	145	-	-	-
Total Assets	415,957	1,674,031	182,625	1,902,083
LIABILITIES				
Accounts payable	63,855	18,569	(143,047)	20,232
Due to other funds	2,943	7,671	2,732	3,929
Deferred revenue	57,868	455,653	62,408	598,292
Total Liabilities	124,666	481,893	(77,907)	622,453
NET POSITION				
Restricted	291,291	1,192,138	260,532	1,279,630
Total Net Position	$ 291,291	$ 1,192,138	$ 260,532	$ 1,279,630

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

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013		2012	
	Agency Funds	Trust Funds	Agency Funds	Trust Funds
ADDITIONS				
Federal revenues	$ 18,450,702	$ -	$ 19,762,540	$ -
State revenues	1,413,543	-	1,678,142	-
Local revenues	218,373	3,521,016	248,760	2,124,190
Total Revenues	20,082,618	3,521,016	21,689,442	2,124,190
DEDUCTIONS				
Current Expenditures				
Classified salaries	26,736	40,210	26,240	39,279
Employee benefits	16,801	17,197	19,079	17,356
Books and supplies	130,453	57,995	179,426	47,312
Services and operating expenditures	7,215	3,388,254	1,344	2,044,326
Student financial aid	19,986,429	-	21,576,450	-
Debt service - principal	-	34,080	-	33,634
Debt service - interest and other	-	55,920	-	56,381
Total Expenditures	20,173,511	3,593,656	21,802,539	2,259,823
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(90,893)	(72,640)	(113,097)	(135,633)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	174,511	148	179,088	35,371
Operating transfers out	(52,859)	(15,000)	(46,853)	(15,000)
Total Other Financing Sources (Uses)	121,652	(14,852)	132,235	20,371
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	30,759	(87,492)	19,138	(115,262)
NET POSITION, BEGINNING OF YEAR	260,532	1,279,630	241,394	1,394,892
NET POSITION, END OF YEAR	$ 291,291	$ 1,192,138	$ 260,532	$ 1,279,630

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

DISCRETELY PRESENTED COMPONENT UNIT - COLLEGE OF THE SEQUOIAS FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 498,588	$ 249,658
Short-term investments	7,998,607	7,086,178
Accounts receivable - current portion	33,434	6,634
Nondepreciable fixed assets - project house work in process	329,478	344,478
TOTAL ASSETS	$ 8,860,107	$ 7,686,948
LIABILITIES		
TOTAL LIABILITIES	$ 29,150	$ -
NET ASSETS		
Unrestricted	6,650,343	5,838,113
Temporarily restricted	747,151	415,373
Permanently restricted	1,433,463	1,433,463
TOTAL NET ASSETS	8,830,957	7,686,949
TOTAL LIABILITIES AND NET ASSETS	$ 8,860,107	$ 7,686,949

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, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS:				
Contributions	$ 577,253	$ 233,788	$ -	$ 811,041
Revenues:				
Investment income	122,012	120	-	122,132
Fundraisers	257,111	-	-	257,111
Program fees	189,641	-	-	189,641
Miscellaneous	-	-	-	-
Transfers	(97,870)	97,870	-	-
Total Support and Revenue	1,048,147	331,778	-	1,379,925
EXPENSES:				
Scholarships	300,645	-	-	300,645
College enhancement	647,791	-	-	647,791
Fundraisers	19,661	-	-	19,661
General administrative	38,311	-	-	38,311
Total Expenses	1,006,408	-	-	1,006,408
UNREALIZED GAIN (LOSS) ON INVESTMENTS	770,491	-	-	770,491
CHANGE IN NET ASSETS	812,230	331,778	-	1,144,008
NET ASSETS, BEGINNING OF YEAR	5,838,113	415,373	1,433,463	7,686,949
NET ASSETS, END OF YEAR	$ 6,650,343	$ 747,151	$ 1,433,463	$ 8,830,957

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

2012
Total
$ 705,389
119,488
190,070
238,694
125
-
1,253,766
345,275
924,903
71,867
69,522
1,411,567
(89,827)
(247,628)
7,934,577
$ 7,686,949

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, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,144,008	$ (247,628)
Adjustments to reconcile net assets provided by operating activities:		
Interest revenue	(122,132)	(119,488)
Unrealized gain (loss) on investments	(770,491)	89,827
(Increase)/Decrease in operating assets:		
Accounts receivable	(26,800)	517,303
Prepaid expense	15,001	(88,303)
Increase in operating liabilities:		
Accounts payable	29,150	-
Net Cash Provided by Operating Activities	268,736	151,711
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sale of investments	(19,806)	(500,005)
Net Cash Used by Investing Activities	(19,806)	(500,005)
NET CHANGE IN CASH AND CASH EQUIVALENTS	248,930	(348,294)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	249,658	597,952
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 498,588	$ 249,658

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. 61.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *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 units:

- **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 students (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 Position
    - Statement of Revenues, Expenses, and Changes in Net Position
    - 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, 2013 and 2012, 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 $2,034,137 and $1,763,804 for the fiscal years ending June 30, 2013 and 2012, 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 Position

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

Net Investment in Capital Assets consists of 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.

Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

None of the District's restricted net position has resulted from enabling legislation adopted by the District.

Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position 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 position is 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 assessed, 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 Position. 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, 2013, was $1,042,836 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.

Changes in Accounting Principles

In March 2012, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 establishes standards of financial accounting and reporting for capitalizing interest cost as a part of the historical cost of acquiring certain assets. For the purposes of applying this Statement, interest cost includes interest recognized on obligations having explicit interest rates and interest imputed on certain types of payables, as well as interest related to capital leases.

The District has implemented the provisions of this Statement for the year ended June 30, 2013. See Note 18 for more information.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The District has implemented the provisions of this Statement for the year ended June 30, 2013.

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation is encouraged.

In June 2012, the GASB issued Statement No. 68*, Accounting and Financial Reporting for Pensions—an amendment of GASB 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 Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of 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.

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 non-employer 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, non-employer 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.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early 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, 2013 and 2012, consist of the following:

	2013	2012
Cash on hand and in banks	$ 492,031	$ 651,894
Cash in revolving	50,000	50,000
Cash with fiscal agent	2,132	-
Investments	31,625,339	30,256,512
Total Deposits and Investments	$ 32,169,502	$ 30,958,406

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:

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	$ 31,458,807	$ -	$ 31,458,807	$ -	$ -
State Investment Pool	207,000	207,000	-	-	-
Held by Trustee:					
GASB 45 Trust-Balanced Portfolio	5,193,487	5,193,487	-	-	-
Total	$ 36,859,294	$ 5,400,487	$ 31,458,807	$ -	$ -

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.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End AAA	Aa	Unrated
County Pool	$ 31,458,807	N/A	$ -	$ -	$ 31,458,807
State Investment Pool	207,000	N/A	-	-	207,000
Held by Trustee:					
GASB 45 Trust-Balanced Portfolio	5,193,487	N/A	-	-	5,193,487
Total	$ 36,859,294		$ -	$ -	$ 36,859,294

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:

Issuer	Investment Type	Reported Amount
GASB 45 Trust-Balanced Portfolio	Balanced Portfolio	$ 5,193,487

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, 2013, the District's bank balance of $693,389 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. 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. Of the investment in the GASB 45 Trust-balanced portfolio of $5,193,487, the District has a custodial credit risk exposure of $4,943,487 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, 2013 and 2012, consisted of intergovernmental grants, entitlements, interest, and other local sources and are as follows:

	Primary Government	
	2013	2012
Federal Government		
Categorical aid	$ 657,117	$ 288,078
State Government		
Apportionment	9,698,098	9,994,809
Categorical aid	493,828	203,693
Lottery	674,303	250,111
Other state sources	681,633	1,502,909
Local Sources	1,215,418	1,010,822
Subtotal	13,420,397	13,250,422
Student loans and grants receivable, net	2,173,887	2,204,946
Total	$ 15,594,284	$ 15,455,368

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, 2013 and 2012, consisted of the following:

	2013	2012
Vendor payments	$ 179,813	$ 431,155

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 11,062,327	$ -	$ 60,311	$ 11,002,016
Construction in progress	75,168,898	9,768,318	-	84,937,216
Total Capital Assets Not Being Depreciated	86,231,225	9,768,318	60,311	95,939,232
Capital Assets Being Depreciated				
Land improvements	10,521,230	43,646	812,494	9,752,382
Buildings and improvements [1]	117,490,621	3,079,083	1,897,445	118,672,259
Furniture and equipment	7,689,734	3,369,439	84,657	10,974,516
Total Capital Assets Being Depreciated	135,701,585	6,492,168	2,794,596	139,399,157
Total Capital Assets	221,932,810	16,260,486	2,854,907	235,338,389
Less Accumulated Depreciation				
Land improvements	3,793,563	54,394	227,741	3,620,216
Buildings and improvements [1]	21,093,552	1,857,965	131,732	22,819,785
Furniture and equipment	5,520,898	643,328	-	6,164,226
Total Accumulated Depreciation	30,408,013	2,555,687	359,473	32,604,227
Net Capital Assests	$ 191,524,797	$ 13,704,799	$ 2,495,434	$ 202,734,162

[1] As Restated

Depreciation expense for the year was $2,555,687.

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.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2013 and 2012, consisted of the following:

	Primary Government	
	2013	2012
Vendor invoices	$ 1,724,797	$ 2,013,210
State apportionment	-	510,760
Benefits	16,773	112,368
Deferred payroll	301,884	266,689
Total	$ 2,043,454	$ 2,903,027

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2013 and 2012, consisted of the following:

	Primary Government	
	2013	2012
Federal financial assistance	$ 175,349	$ 150,974
State categorical aid	569,852	688,560
State other	361,969	402,569
Student fees	2,182,597	2,105,057
Other local	2,493,978	1,708,440
Total	$ 5,783,745	$ 5,055,600

NOTE 9 - TAX AND REVENUE ANTICIPATION NOTES

On August 8, 2012, the District issued $15,000,000 of Tax and Revenue Anticipation Notes bearing interest at 2.00 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 25, 2013. By April 2013, 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
2012 2.00% TRANS	$ -	$ 15,000,000	$ 15,000,000	$ -

NOTE 10 - 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 11 - LONG-TERM OBLIGATIONS

Summary for June 30, 2013

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

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due in One Year
Certificates of participation 2002	$ 2,580,000	$ -	$ 125,000	$ 2,455,000	$ 125,000
Certificates of participation 2004	3,245,000	-	90,000	3,155,000	95,000
General Obligation Bonds 2006, A (Hanford):					
Current interest	13,540,000	-	-	13,540,000	-
Capital appreciation	1,808,367	223,187	100,000	1,931,554	145,000
General Obligation Bonds 2008, B (Hanford):					
Current interest	4,530,000	-	25,000	4,505,000	210,000
Capital appreciation	3,137,260	231,640	-	3,368,900	-
General Obligation Bonds 2008, A (Tulare):					
Current interest	14,205,000	-	-	14,205,000	-
Capital appreciation	6,250,822	615,378	535,000	6,331,200	560,000
General Obligation Bonds 2008, B (Tulare):					
Current interest	3,650,000	-	-	3,650,000	-
Capital appreciation	6,989,141	572,010	-	7,561,151	-
General Obligation Bonds 2008, A (Visalia):					
Current interest	13,750,000	-	-	13,750,000	-
Capital appreciation	5,315,293	565,856	480,000	5,401,149	530,000
General Obligation Bonds, 2008, B (Visalia):					
Current interest	4,650,000	-	-	4,650,000	-
Capital appreciation	445,099	52,614	-	497,713	-
General Obligation Bonds 2008, C (Visalia):					
Current interest	3,755,000	-	-	3,755,000	-
Capital appreciation	1,407,344	135,675	-	1,543,019	-
Unamortized premium on bonds	7,161,054	-	518,421	6,642,633	-
Lease Revenue Bonds, Series 2010A	3,150,000	-	85,000	3,065,000	90,000
Bond Anticipation Note (Tulare)	11,501,011	-	-	11,501,011	11,501,011
Capital leases	720,671	-	188,691	531,980	64,481
Total	$ 111,791,062	$ 2,396,360	$ 2,147,112	$ 112,040,310	$ 13,320,492
Accumulated vacation/banked leave - net	$ 1,782,309	$ -	$ 71,485	$ 1,710,824	$ -
Deferred Issuance Costs and Discounts [1]	$ 2,689,070	$ -	$ 168,662	$ 2,520,408	$ 168,662

[1] Amounts are included in District-wide Net Assets and amortized over the duration of the debt obligation.

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, 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

[1] Amounts are included in District-wide Net Assets and amortized over the duration of the debt obligation.

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.

Certificates of Participation

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
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	150,000	95,750	245,750
2019-2023	885,000	357,000	1,242,000
2024-2027	880,000	112,500	992,500
Total	$ 2,455,000	$ 1,013,650	$ 3,468,650

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
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	110,000	128,305	238,305
2019-2023	625,000	567,856	1,192,856
2024-2028	790,000	408,264	1,198,264
2029-2033	1,000,000	201,875	1,201,875
2034	230,000	10,925	240,925
Total	$ 3,155,000	$ 1,871,045	$ 5,026,045

Bonded Debt

The District's bonded debt is summarized as follows:

Year Issued	Campus	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2012	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2013
General obligation bonds:								
2006	Hanford	2/1/2033	3.58-4.25	$ 14,999,982	$ 15,348,367	$ 223,187	$ 100,000	$ 15,471,554
2008	Hanford	2/1/2034	1.85-6.99	6,995,778	7,667,260	231,640	25,000	7,873,900
2008	Tulare	8/1/2033	2.4-6.36	19,998,219	20,455,822	615,378	535,000	20,536,200
2011	Tulare	8/1/2040	3.28-7.62	10,004,927	10,639,141	572,010	-	11,211,151
2008	Visalia	8/1/2033	2.4-6.22	17,997,404	19,065,293	565,856	480,000	19,151,149
2010	Visalia	8/1/2039	5.1-6.610	4,999,652	5,095,099	52,614	-	5,147,713
2011	Visalia	8/1/2036	4.12-7.74	4,995,439	5,162,344	135,675	-	5,298,019
Lease revenue bonds:								
2010	Hanford	6/1/2035	3.00-5.28	3,310,000	3,150,000	-	85,000	3,065,000
Bond Anticipation Note:								
2012	Tulare	9/1/2013	3.00	11,501,011	11,501,011	-	-	11,501,011
	Total				$ 98,084,337	$ 2,396,360	$ 1,225,000	$ 99,255,697

2006 Hanford Series A, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2014	$ -	$ 677,000	$ 677,000
2015	-	677,000	677,000
2016	-	677,000	677,000
2017	-	677,000	677,000
2018	-	677,000	677,000
2019-2023	615,000	3,385,000	4,000,000
2024-2028	4,665,000	2,823,000	7,488,000
2029-2033	8,260,000	1,277,875	9,537,875
Total	$ 13,540,000	$ 10,870,875	$ 24,410,875

2006 Hanford Series A, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2014	$ 145,000	$ 145,000	$ -
2015	200,000	180,800	19,200
2016	245,000	200,214	44,786
2017	290,000	214,252	75,748
2018	335,000	223,780	111,220
2019-2022	1,880,000	967,508	912,492
Total	$ 3,095,000	$ 1,931,554	$ 1,163,446

2008 Hanford Series B, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
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	385,000	149,313	534,313
2019-2023	2,335,000	494,988	2,829,988
2024	570,000	28,500	598,500
Total	$ 4,505,000	$ 1,375,103	$ 5,880,103

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	$ 1,559,520	$ 3,000,480
2033	2,205,000	601,965	1,603,035
2034	5,855,000	1,207,415	4,647,585
Total	$ 12,620,000	$ 3,368,900	$ 9,251,100

2008 Tulare Series A, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2014	$ -	$ 764,313	$ 764,313
2015	-	764,313	764,313
2016	-	764,313	764,313
2017	-	764,313	764,313
2018	-	764,313	764,313
2019-2023	-	3,821,565	3,821,565
2024-2028	3,040,000	3,745,965	6,785,965
2029-2033	10,935,000	1,970,126	12,905,126
2034	230,000	12,650	242,650
Total	$ 14,205,000	$ 13,371,871	$ 27,576,871

2008 Tulare Series A, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2014	$ 560,000	$ 560,000	$ -
2015	610,000	550,708	59,292
2016	665,000	541,975	123,025
2017	725,000	533,455	191,545
2018	785,000	521,554	263,446
2019-2023	4,895,000	2,383,765	2,511,235
2024-2026	3,820,000	1,239,743	2,580,257
Total	$ 12,060,000	$ 6,331,200	$ 5,728,800

2008 Tulare Series B, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2014	$ -	$ 178,625	$ 178,625
2015	-	178,625	178,625
2016	-	178,625	178,625
2017	-	178,625	178,625
2018	-	178,625	178,625
2019-2023	1,055,000	815,125	1,870,125
2024-2028	830,000	625,363	1,455,363
2029-2032	1,765,000	257,731	2,022,731
Total	$ 3,650,000	$ 2,591,344	$ 6,241,344

2008 Tulare Series B, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2016	$ 220,000	$ 174,240	$ 45,760
2017-2019	750,000	469,768	280,232
2033-2037	11,880,000	1,934,892	9,945,108
Total	$ 12,850,000	$ 2,578,900	$ 10,271,100

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	$ 1,871,451	$ 10,865,988

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	$ 3,110,800	$ 2,389,200

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
2014	$ -	$ 738,300	$ 738,300
2015	-	738,300	738,300
2016	-	738,300	738,300
2017	-	738,300	738,300
2018	-	738,300	738,300
2019-2023	-	3,691,500	3,691,500
2024-2028	3,850,000	3,504,076	7,354,076
2029-2033	9,725,000	1,744,275	11,469,275
2034	175,000	9,625	184,625
Total	$ 13,750,000	$ 12,640,976	$ 26,390,976

2008 Visalia Series A, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2014	$ 530,000	$ 530,000	$ -
2015	580,000	519,216	60,784
2016	630,000	504,882	125,118
2017	685,000	491,419	193,581
2018	745,000	478,439	266,561
2019-2023	4,660,000	2,140,669	2,519,331
2024-2025	2,355,000	736,524	1,618,476
Total	$ 10,185,000	$ 5,401,149	$ 4,783,851

2008 Visalia Series B, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2014	$ -	$ 232,500	$ 232,500
2015	-	232,500	232,500
2016	-	232,500	232,500
2017	-	232,500	232,500
2018	-	232,500	232,500
2019-2023	-	1,162,500	1,162,500
2024-2028	-	1,162,500	1,162,500
2029-2033	-	1,162,500	1,162,500
2034-2038	-	1,162,500	1,162,500
2039-2040	4,650,000	357,500	5,007,500
Total	$ 4,650,000	$ 6,170,000	$ 10,820,000

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	$ 497,713	$ 5,322,287

2008 Visalia Series C, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2014	$ -	$ 206,525	$ 206,525
2015	-	206,525	206,525
2016	-	206,525	206,525
2017	-	206,525	206,525
2018	-	206,525	206,525
2019-2023	-	1,032,625	1,032,625
2024-2028	-	1,032,625	1,032,625
2029-2033	-	1,032,625	1,032,625
2034-2037	3,755,000	206,525	3,961,525
Total	$ 3,755,000	$ 4,337,025	$ 8,092,025

2008 Visalia Series C, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2018	$ 20,000	$ 12,548	$ 32,548
2019-2023	360,000	151,815	511,815
2024-2028	1,185,000	279,974	1,464,974
2029-2031	1,170,000	181,122	1,351,122
2035	4,520,000	917,560	5,437,560
Total	$ 7,255,000	$ 1,543,019	$ 8,798,019

Lease Revenue Bonds

2010 Series A, Lease Revenue Bonds:

Year Ending June 30,	Principal	Interest	Total
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	100,000	128,006	228,006
2019-2023	570,000	578,994	1,148,994
2024-2028	705,000	441,993	1,146,993
2029-2033	895,000	249,218	1,144,218
2034-2035	420,000	32,544	452,544
Total	$ 3,065,000	$ 1,972,429	$ 5,037,429

Bond Anticipation Notes - Tulare

Year Ending June 30,	Principal	Interest	Total
2014	$ 11,501,011	$ 592,414	$ 12,093,425

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	$ 322,249
2008, Series A	Tulare	2,267,807
2008, Series B	Tulare	641,366
2008, Series A	Visalia	2,116,188
2008, Series B	Visalia	647,531
2008, Series C	Visalia	418,250
Bond Anticipation Note	Tulare	229,242
Total unamortized premium		$ 6,642,633

Accumulated Unpaid Employee Compensation

The long-term portion of accumulated unpaid employee compensation and banked leave for the District at June 30, 2013, amounted to $1,710,824.

Capital Leases

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

Year Ending June 30,	Lease Payment
2014	$ 87,186
2015	87,186
2016	87,186
2017	87,186
2018	87,186
2019-2020	190,425
Total	626,355
Less: Amount Representing Interest	94,375
Present Value of Minimum Lease Payments	$ 531,980

Balance, July 1, 2012	$ 720,671
Payments	188,691
Balance, June 30, 2013	$ 531,980

NOTE 12 - MUNICIPAL LEASE-LINE OF CREDIT

The District entered into a lease with Valley Business Bank totaling $5,000,000 with a current rate as of June 30, 2013, of 1.9175 percent. The District's principal balance of draws totals $5,000,000.

NOTE 13 - 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 approximately 90 retirees and beneficiaries currently receiving benefits and approximately 370 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 2012-2013, 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 $256,000, 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	$ 1,294,724
Interest adjustment	(69,560)
Adjustment to annual required contribution	(307,868)
Annual OPEB cost (expense)	917,296
Contributions made	(1,139,705)
Change in net OPEB asset/prepaid	222,409
Net OPEB asset, beginning of year	4,812,811
Net OPEB asset, end of year	$ 5,035,220

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
2013	$ 917,296	$ 1,139,705	124%	$ 5,035,220
2012	774,280	1,139,705	147%	4,812,811
2011	1,022,816	1,802,527	92%	4,447,386

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)
December 31, 2012	$ 5,357,242	$ 13,236,467	$ 7,879,225	40.5%	$ 36,000,000	21.9%

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 Other Postemployment Benefits 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 December 31, 2012, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 7.0 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, 2013, was 30 years. The actuarial value of assets was $5,357,242 in this actuarial valuation. At June 30, 2013, the Trust held assets in the amount of $5,193,487, which consisted of deposits with Union Bank in the Retiree Health Benefits Funding Program JPA.

NOTE 14 - 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, 2013, 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, 2013, 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 15 - 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, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy

Active members are required to contribute 8.0 percent of their salary, 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, were $1,551,493, $1,570,296, and $1,662,171, 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, 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 required employer contribution rate for fiscal year 2012-2013 was 11.417 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2013, 2012, and 2011, were $1,652,591, $1,627,886, and $1,718,929, respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, which amounted to $1,042,836, $921,292, and $859,695, respectively, (5.176 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. No contributions were made for CalPERS for the years ended June 30, 2013, 2012, and 2011. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. 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 2012-2013 was 2.3 percent of annual payroll. The contribution requirements of the plan members are established by State statute.

NOTE 16 - 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, 2013, the District made payments of $634,094, $597,093, and $6,594,355 to the Tulare County Schools Insurance Group, Tulare County Schools Self Insurance Authority, and the Central Valley Trust, respectively.

NOTE 17 - 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, 2013.

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, 2013. 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, 2013, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment
Tulare Phase I - State funding	$ 398,619
Tulare Phase I - Local funding	38,071
Tulare Phase III - Local funding	584,938
North Admin - Local funding 41045-2121-xxxx-7103	62,791
Total	$ 1,084,419

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

The State legislature has not enacted a budget as of June 30, 2013. As a result, certain apportionments owed to the District for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2012-2013 fiscal year have been deferred to the 2013-2014 fiscal year. The total amount of funding deferred into the 2013-2014 fiscal year was $9,698,098 million. As of August 9, 2013, 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 18 - RESTATEMENT OF PRIOR YEAR BEGINNING STATEMENT OF NET POSITION

The District's prior year beginning net position has been restated as of June 30, 2013.

Effective in fiscal year 2012-2013 with the implementation of GASB 62, the District was required to capitalize interest as part of the historical cost of constructing certain business-type activity assets. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the District by $9,300,009. The restatement does not affect the fund financial statements.

NOTE 19 - SUBSEQUENT EVENTS

The District issued $5,000,000 of Tax and Revenue Anticipation Notes dated July 17, 2013. The notes mature on June 30, 2014, and yield 0.28 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that 50 percent of principal and interest be set aside in a restricted account within the County Treasury on January 2014 and April 2014, so 100 percent of principal and interest due June 25, 1014 is on account.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2013

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)
December 31, 2012	$ 5,357,242	$ 13,236,467	$ 7,879,225	40.5%	$ 36,000,000	21.9%
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, 2013

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, Hanford Satellite Campus and Tulare College Center are each accredited by the Western Association of Schools and Junior Colleges.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Mrs. Lori Cardoza	President	2016
Mr. John. A. Zumwalt	Vice President	2014
Mr. Earl Mann	Clerk	2016
Mr. Kenneth Nunes	Member	2014
Mr. Greg Sherman	Member	2014
Mr. Daniel Stepp	Student Trustee	2013

ADMINISTRATION

Mr. Stan Carrizosa	Superintendent/President
Mrs. Jennifer Vega-LaSerna, Ph.D.	Vice President, Academic Services
Ms. Frances Gusman	Vice President, Student Services
Mr. Brent Calvin	Vice President, Administrative Services

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION		
Student Financial Aid Cluster:		
Supplemental Educational Opportunity Grants	84.007	$ 268,216
Supplemental Educational Opportunity Grants Administration	84.007	13,338
Federal Work Study	84.033	245,832
TANF 50% Federal Calworks	84.033	41,973
Federal Work Study Administration	84.033	12,284
Pell Grant	84.063	18,182,486
Pell Grant Administration	84.063	21,478
Total Student Financial Aid Cluster		18,785,607
Title V Hispanic Serving Institute ATD	84.031S	506,006
Title V Hispanic Serving Institute PASEO	84.031S	920,021
TRIO Upward Bound Math/Science	84.047M	222,960
TRIO/SSS	84.047M	219,172
Vocational and Applied Technology Education Act (VTEA)		
Title II, Part C Student Support	84.048	483,515
Subtotal		2,351,674
U.S. DEPARTMENT OF VETERAN AFFAIRS		
Veteran's Education	64.112	483
Subtotal		483
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed Through the California Department of Education:		
Foster Care Education	93.658	128,393
MediCal Administrative Activities	93.778	119,227
Subtotal		247,620
U.S. DEPARTMENT OF LABOR		
Workforce Investment Act	17.258	128,875
Trade Adjustment Assistance Community College and Career Training	17.282	303,194
Subtotal		432,069
U.S. DEPARTMENT OF AGRICULTURE		
Schools and Roads Programs:		
Flood Control	10.665	615
Forest Reserve	10.665	6,373
Total Schools and Roads Programs		6,988
USDA Nutrition Program	10.557	23,268
Subtotal		30,256
Total Federal Expenditures		$ 21,847,709

See accompanying note to supplementary information.

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
STATE PROJECTS			
BFAP Administration Allowance	$ 488,996	$ -	$ 488,996
Basic Skills	129,762	217,288	347,050
Cal Works	253,706	-	253,706
Cal Grant	1,414,318	-	1,414,318
CARE	127,487	-	127,487
Career Technical Education - Transitions	49,389	-	49,389
Career Technical Education - Enrollment Growth	449,563	-	449,563
Career Technical Education - Pathway #5	348,000	-	348,000
Career Technical Education - Pathways Initiative	-	250,853	250,853
Disabled Students Programs and Services	658,138	-	658,138
Department of Rehabilitation Workability III	113,372	-	113,372
Economic Development Applied Competitive Tech Manufacturing	205,000	-	205,000
Economic Development Responsive Training	256,147	-	256,147
Extended Opportunity Program and Services	696,464	-	696,464
Lottery Prop 20	248,633	-	248,633
Independent Living	22,500	-	22,500
Matriculation	304,372	-	304,372
Part Time Faculty Office Hours	1,982	-	1,982
Part Time Faculty Parity	193,308	-	193,308
Staff Development	-	2,445	2,445
Staff Diversity	5,592	-	5,592
State Preschool	169,492	-	169,492
TANF	41,973	-	41,973
Total State Programs	$ 6,178,194	$ 470,586	$ 6,648,780

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Prior Year Carryforward	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
$ 488,996	$ -	$ -	$ -	$ 488,996	$ 488,996
129,762	217,288	-	210,686	136,364	136,364
253,706	-	-	-	253,706	253,706
1,415,975	-	-	1,657	1,414,318	1,414,318
127,487	-	-	-	127,487	127,487
1,225	-	48,164	-	49,389	49,389
377,633	-	71,930	-	449,563	449,563
313,200	-	-	230,301	82,899	82,899
-	250,853	-	-	250,853	250,853
658,138	-	-	-	658,138	658,138
80,857		16,117		96,974	96,974
41,001	-	163,999	-	205,000	205,000
153,688	-	-	94,214	59,474	59,474
696,464	-	-	-	696,464	696,464
60,032		188,602	-	248,634	248,634
17,484	-	5,016	-	22,500	22,500
304,372	-	-	-	304,372	304,372
1,982	-	-	-	1,982	1,982
193,308	-	-	-	193,308	193,308
-	2,445	-	2,187	258	258
5,592	-	-	-	5,592	5,592
200,299	-	-	30,807	169,492	169,492
41,973	-	-	-	41,973	41,973
$ 5,563,174	$ 470,586	$ 493,828	$ 569,852	$ 5,957,736	$ 5,957,736

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2013

	Reported Data	Audit Adjustments	Audited Data
CATEGORIES			
A. Summer Intersession (Summer 2012 only)			
1. Noncredit**	-	-	-
2. Credit	48.73	-	48.73
B. Summer Intersession (Summer 2013 - Prior to July 1, 2013)			
1. Noncredit**	-	-	-
2. Credit	1.62	-	1.62
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	7,076.07	-	7,076.07
(b) Daily Census Contact Hours	192.46	-	192.46
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	407.00	-	407.00
(b) Credit	302.78	-	302.78
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Contact Hours	482.04	-	482.04
(b) Daily Census Contact Hours	201.90	-	201.90
D. Total FTES	8,712.60	-	8,712.60
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)			
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	458.57	-	458.57
2. Credit	374.28	-	374.28
CCFS-320 Addendum			
CDCP Noncredit FTES	68.43	-	68.43
Centers FTES			
1. Noncredit	1.55	-	1.55
2. Credit	1,778.55	-	1,778.55

** 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, 2013

		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	$ 11,040,767	$ -	$ 11,040,767	$ 11,040,767	$ -	$ 11,040,767
Other	1300	4,813,943	-	4,813,943	4,813,943	-	4,813,943
Total Instructional Salaries		15,854,710	-	15,854,710	15,854,710	-	15,854,710
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	3,800,213	-	3,800,213
Other	1400	-	-	-	242,056	-	242,056
Total Noninstructional Salaries		-	-	-	4,042,269	-	4,042,269
Total Academic Salaries		15,854,710	-	15,854,710	19,896,979	-	19,896,979
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	7,249,376	-	7,249,376
Other	2300	-	-	-	386,911	-	386,911
Total Noninstructional Salaries		-	-	-	7,636,287	-	7,636,287
Instructional Aides							
Regular Status	2200	363,943	-	363,943	363,943	-	363,943
Other	2400	337,825	-	337,825	337,825	-	337,825
Total Instructional Aides		701,768	-	701,768	701,768	-	701,768
Total Classified Salaries		701,768	-	701,768	8,338,055	-	8,338,055
Employee Benefits	3000	4,092,440	-	4,092,440	9,776,588	-	9,776,588
Supplies and Material	4000	-	-	-	595,030	-	595,030
Other Operating Expenses	5000	22,289	-	22,289	4,378,074	-	4,378,074
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		20,671,207	-	20,671,207	42,984,726	-	42,984,726

See accompanying note to supplementary information.

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2013

		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	$ 480,811	$ -	$ 480,811	$ 480,811	$ -	$ 480,811
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	63,817	-	63,817
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,394,155	-	1,394,155
Objects to Exclude							
Rents and Leases	5060	-	-	-	864,609	-	864,609
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	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2013

		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
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 984,949	$ -	$ 984,949
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		480,811	-	480,811	3,788,341	-	3,788,341
Total for ECS 84362, 50 Percent Law		$ 20,190,396	$ -	$ 20,190,396	$ 39,196,385	$ -	$ 39,196,385
Percent of CEE (Instructional Salary Cost/Total CEE)		51.51%		51.51%	100.00%		100.00%
50% of Current Expense of Education					$ 19,598,193		$ 19,598,193

See accompanying note to supplementary information.

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2013

Activity Classification	Object Code			Unrestricted	
EPA Proceeds:	8630				$ 7,026,757
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 7,026,757	-	-	$ 7,026,757
Total Expenditures for EPA		$ 7,026,757	-	-	$ 7,026,757
Revenues Less Expenditures					$ -

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, 2013

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

	Self Insurance
FUND BALANCE	
Balance, June 30, 2013, (CCFS-311)	$ 1,298,780
Post closing adjustments	
Increase in:	
Accounts payable - prior years	(806,135)
Accounts payable - current year	(36,234)
Balance, June 30, 2013, Audited	$ 456,411

See accompanying note to supplementary information.

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Amounts Reported in the Statement of Net Position are Different Because:		
Total Fund Balance - All District Funds		$ 35,296,828
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	$ 233,506,316	
Accumulated depreciation is	(31,801,531)	201,704,785
Debt issuance costs associated with the District's 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.		2,520,408
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.		5,035,220
The fiduciary restricted fund balances are reflected as amounts held by the agency in a fiduciary role and are not, therefore, reflected as a portion of Net Position.		(1,483,429)
Long-term obligations, 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	105,898,330	
Certificates of participation	5,610,000	
Capital leases payable	531,980	(112,040,310)
Total Net Position		**$ 131,033,502**

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2013

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

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.

Proposition 30 Education Protection Act (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

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 Position

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

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, 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 basic financial statements of College of the Sequoias Community College District (the District) and its discretely presented component unit as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audits, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of This Report

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

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 30, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited College of the Sequoias Community College District's (the District) compliance with the types of compliance requirements described in OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2013. The District's major Federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, 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 the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

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Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 30, 2013

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited College of the Sequoias Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in April 2013 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in April 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of each of the District's programs based on our audit of the types of compliance requirements referred to above. 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2013.

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In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

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	CalWORKS
Section 435	Open Enrollment
Section 437	Student Fees – Instructional and Other Materials
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 30, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2013

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
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:	Unmodified
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
17.282	Trade Adjustment Assistance Community College and Career Training
84.047M	TRIO Upward Bound Math/Science
84.047M	TRIO/SSS
84.048	Vocational and Applied Technology Edcuation Act - Title II, Part C Student Support

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:	Unmodified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2013

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

None reported.

ADDITIONAL SUPPLEMENTARY INFORMATION

GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2013

	General	Other Special Revenue	Bond Interest and Redemption
ASSETS			
Cash and cash equivalents	$ 3,112,975	$ 55,743	$ 12,977,116
Investments	-	-	-
Accounts receivable	12,532,233	626,629	-
Student loans receivable	1,635,821	-	-
Due from other funds	363,687	-	-
Prepaid expenses	170,641	-	-
Total Assets	$ 17,815,357	$ 682,372	$ 12,977,116
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts payable	$ 2,485,368	$ -	$ -
Due to other funds	3,450,145	105,575	-
Other liabilities	5,000,000	-	-
Deferred revenue	4,142,433	-	-
Total Liabilities	15,077,946	105,575	-
Fund Balances			
Restricted	-	576,797	12,977,116
Unassigned	2,737,411	-	-
Total Fund Equity	2,737,411	576,797	12,977,116
Total Liabilities and Fund Equity	$ 17,815,357	$ 682,372	$ 12,977,116

See accompanying note to additional supplementary information.

Capital Outlay Projects	Revenue Bond Construction	Farm Construction	Total Governmental Fund (Memorandum Only)
$ 2,122,360	$ 10,512,680	$ -	$ 28,780,874
-	-	238,961	238,961
492,424	-	-	13,651,286
-	-	-	1,635,821
-	-	3,450,000	3,813,687
9,172	-	-	179,813
$ 2,623,956	$ 10,512,680	$ 3,688,961	$ 48,300,442
$ 25,284	$ 252,168	$ -	$ 2,762,820
-	-	-	3,555,720
-	-	-	5,000,000
1,127,791	-	-	5,270,224
1,153,075	252,168	-	16,588,764
1,470,881	10,260,512	3,688,961	28,974,267
-	-	-	2,737,411
1,470,881	10,260,512	3,688,961	31,711,678
$ 2,623,956	$ 10,512,680	$ 3,688,961	$ 48,300,442

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	General	Other Special Revenue	Bond Interest and Redemption
REVENUES			
Federal revenues	$ 3,397,307	$ -	$ -
State revenues	37,461,101	-	-
Local revenues	14,625,815	874,762	6,573,598
Total Revenues	55,484,223	874,762	6,573,598
EXPENDITURES			
Current Expenditures			
Academic salaries	22,390,336	280,650	-
Classified salaries	11,665,146	120,291	-
Employee benefits	11,390,690	56,218	-
Books and supplies	1,527,126	29,872	-
Services and operating expenditures	6,515,019	137,267	-
Student financial aid	361,688	-	-
Capital outlay	529,925	-	-
Debt service - principal	454,611	-	1,140,000
Debt service - interest and other issuance costs	580,031	-	3,282,025
Total Expenditures	55,414,572	624,298	4,422,025
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	69,651	250,464	2,151,573
OTHER FINANCING SOURCES (USES)			
Operating transfers in	338,075	-	-
Operating transfers out	(478,280)	-	-
Other sources	-	-	-
Total Other Financing Sources (Uses)	(140,205)	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(70,554)	250,464	2,151,573
FUND BALANCE, BEGINNING OF YEAR	2,807,965	326,333	10,825,543
FUND BALANCE, END OF YEAR	$ 2,737,411	$ 576,797	$ 12,977,116

See accompanying note to additional supplementary information.

Capital Outlay Projects	Revenue Bond Construction	Farm Construction	Total Governmental Fund (Memorandum Only)
$ -	$ -	$ -	$ 3,397,007
10,225,131	-	-	47,686,232
600,582	137,150	9,988	22,822,195
10,825,713	137,150	9,988	73,905,434
-	-	-	22,670,986
-	-	-	11,785,437
-	-	2,842	11,449,750
-	278	-	1,557,276
289,437	914,084	17,560	7,873,367
-	-	-	361,688
10,273,254	3,549,724	-	14,352,903
-	-	-	1,594,611
-	-	-	3,862,056
10,562,691	4,464,086	20,402	75,508,074
263,022	(4,326,936)	(10,414)	(1,602,640)
-	-	-	338,075
-	-	-	(478,280)
-	-	2,457,669	2,457,669
-	-	2,457,669	2,317,464
263,022	(4,326,936)	2,447,255	714,824
1,207,859	14,587,448	1,241,706	30,996,854
$ 1,470,881	$ 10,260,512	$ 3,688,961	$ 31,711,678

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS
BALANCE SHEETS
JUNE 30, 2013

	Enterprise Funds				Internal Service Fund
	Bookstore	Cafeteria	Farm	Total	
ASSETS					
Cash and cash equivalents	$ -	$ 9,040	$ -	$ 9,040	$ 1,298,780
Investments	-	5,533	314,420	319,953	-
Accounts receivable	-	8,124	198,221	206,345	-
Inventories	-	5,158	300,533	305,691	-
Other current assets	-	-	89,067	89,067	-
Furniture and equipment (net)	-	361,877	667,500	1,029,377	-
Total Assets	$ -	$ 389,732	$ 1,569,741	$ 1,959,473	$ 1,298,780
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	$ -	$ 1,471	$ 65,194	$ 66,665	$ 842,369
Due to other funds	101,437	133,535	12,526	247,498	-
Total Liabilities	101,437	135,006	77,720	314,163	842,369
Fund Equity					
Retained earnings	(101,437)	254,726	1,492,021	1,645,310	456,411
Total Liabilities and Fund Equity	$ -	$ 389,732	$ 1,569,741	$ 1,959,473	$ 1,298,780

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, 2013

	Enterprise Funds			
	Bookstore	**Cafeteria**	**Farm**	**Total**
OPERATING REVENUES				
Sales revenues	$ -	$ 685,256	$ -	$ 685,256
OPERATING EXPENSES				
Classified salaries	-	251,658	70,363	322,021
Employee benefits	-	103,417	26,792	130,209
Books and supplies	-	303,504	70,222	373,726
Services and other operating expenditures	311	46,121	619,877	666,309
Capital outlay	-	18,763	(3,643)	15,120
Total Operating Expenses	311	723,463	783,611	1,507,385
Operating Income (Loss)	(311)	(38,207)	(783,611)	(822,129)
NONOPERATING REVENUES (EXPENSES)				
Interest income	-	3	1,356	1,359
Miscellaneous revenues	15,222	-	954,134	969,356
Operating transfers in	-	-	-	-
Total Nonoperating Revenues (Expenses)	15,222	3	955,490	970,715
NET INCOME (LOSS)	14,911	(38,204)	171,879	148,586
RETAINED EARNINGS, BEGINNING OF YEAR	(116,348)	292,930	1,320,142	1,496,724
RETAINED EARNINGS, END OF YEAR	$ (101,437)	$ 254,726	$ 1,492,021	$ 1,645,310

See accompanying note to additional supplementary information.

Internal Service Fund
$ -
36,234
-
-
-
-
36,234
(36,234)
4,461
-
33,405
37,866
1,632
454,779
$ 456,411

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
BALANCE SHEETS
JUNE 30, 2013

	Agency Funds		
	Associated Students	Student Financial Aid	Scholarship and Loan
ASSETS			
Cash and cash equivalents	$ 264,541	$ 60,063	$ 62,582
Accounts receivable	36	-	28,590
Student loans receivable, net	-	-	-
Due from other funds	-	145	-
Total Assets	$ 264,577	$ 60,208	$ 91,172
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts payable	$ 152	$ 63,883	$ (180)
Due to other funds	2,943	-	-
Deferred revenue	57,868	-	-
Total Liabilities	60,963	63,883	(180)
Fund Balances			
Restricted	203,614	(3,675)	91,352
Total Fund Equity	203,614	(3,675)	91,352
Total Liabilities and Fund Equity	$ 264,577	$ 60,208	$ 91,172

See accompanying note to additional supplementary information.

Total Agency Funds	Trust Funds	Total Trust Funds	Total Fiduciary Funds
$ 387,186	$ 1,134,708	$ 1,134,708	$ 1,521,894
28,626	1,257	1,257	29,883
-	538,066	538,066	538,066
145	-	-	145
$ 415,957	$ 1,674,031	$ 1,674,031	$ 2,089,988
$ 63,855	$ 18,569	$ 18,569	$ 82,424
2,943	7,671	7,671	10,614
57,868	455,653	455,653	513,521
124,666	481,893	481,893	606,559
291,291	1,192,138	1,192,138	1,483,429
291,291	1,192,138	1,192,138	1,483,429
$ 415,957	$ 1,674,031	$ 1,674,031	$ 2,089,988

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	Agency Funds		
	Associated Students	Student Financial Aid	Scholarship and Loan
REVENUES			
Federal revenues	$ -	$ 18,450,702	$ -
State revenues	-	1,413,543	-
Local revenues	216,294	-	2,079
Total Revenues	216,294	19,864,245	2,079
EXPENDITURES			
Current Expenditures			
Classified salaries	26,736	-	-
Employee benefits	16,801	-	-
Books and supplies	130,453	-	-
Services and operating expenditures	7,215	-	-
Student financial aid	-	19,986,429	-
Capital outlay	5,877	-	-
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	187,082	19,986,429	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	29,212	(122,184)	2,079
OTHER FINANCING SOURCES (USES)			
Operating transfers in	52,711	121,800	-
Operating transfers out	(52,859)	-	-
Total Other Financing Sources (Uses)	(148)	121,800	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	29,064	(384)	2,079
FUND BALANCES, BEGINNING OF YEAR	174,550	(3,291)	89,273
FUND BALANCES, END OF YEAR	$ 203,614	$ (3,675)	$ 91,352

See accompanying note to additional supplementary information.

Total Agency Funds	Trust Funds	Total Fiduciary Funds
$ 18,450,702	$ -	$ 18,450,702
1,413,543	-	1,413,543
218,373	3,521,016	3,739,389
20,082,618	3,521,016	23,603,634
26,736	40,210	66,946
16,801	17,197	33,998
130,453	57,995	188,448
7,215	3,388,254	3,395,469
19,986,429	-	19,986,429
5,877	-	5,877
-	34,080	34,080
-	55,920	55,920
20,173,511	3,593,656	23,767,167
(90,893)	(72,640)	(163,533)
174,511	148	174,659
(52,859)	(15,000)	(67,859)
121,652	(14,852)	106,800
30,759	(87,492)	(56,733)
260,532	1,279,630	1,540,162
$ 291,291	$ 1,192,138	$ 1,483,429

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION
JUNE 30, 2013

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.