COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2016

TABLE OF CONTENTS
JUNE 30, 2016

FINANCIAL SECTION

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S 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, the aggregate discretely presented component unit (College of the Sequoias Foundation), and the aggregate remaining fund information of College of the Sequoias Community College District (the District) as of and for the year ended June 30, 2016, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2015-2016 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 11, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 66, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 67, and the Schedule of District Contributions on page 68, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information 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 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying unaudited supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2016, 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 27, 2016

COLLEGE OF THE SEQUOIAS

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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.

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FINANCIAL HIGHLIGHTS

College of the Sequoias Community College District had a strong financial year in 2015-16 due to the rebound in the State of California's economy. The District was able to end the fiscal year with a surplus, and a healthy fund balance.

- The District's primary funding source is California 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, Education Protection Account, local property taxes, and student enrollment fees. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During the 2015-2016 fiscal year, the District's actual resident FTES were comprised of 8,921.49 credit FTES and 508.79 non-credit FTES for a total of 9,430.28 FTES, which was an increase from the prior year FTES. During the 2014-2015 fiscal year, the District's actual resident FTES were comprised of 8,457.51 credit FTES and 411.39 non-credit FTES for a total of 8,868.90 FTES. These FTES are generated at the District's Visalia College campus, Tulare Center campus, and Hanford Center campus.
- The Hanford Educational Center was able to generate 1036.77 FTES during 2015-2016, thus qualifying the campus for a state "Center" status commencing in 2016-2017.
- The District ended the year with a General Fund balance of $12.629 million. The State System's Office recommends reserve levels of five percent of unrestricted General Fund expenditures be set aside for economic uncertainties. The District exceeded this requirement for the current year, closing the year with over 22 percent in General Fund reserve.
- 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 provides student financial aid to qualifying students of the District in the amount of approximately $22.643 million. This aid is provided through grants, loans from the Federal government and State System's Office, and local funding.

Condensed financial information is as follows (in thousands):

NET POSITION
As of June 30, 2016 and 2015

	2016	2015	Change
ASSETS			
Current Assets			
Cash, investments, and short term receivables	$ 51,193	$ 41,997	$ 9,196
Inventory and prepaids	466	656	(190)
Total Current Assets	51,659	42,653	9,006
Non-Current Assets			
Other non-current assets	6,758	5,861	897
Capital assets, net of depreciation	197,342	198,487	(1,145)
Total Non-Current Assets	204,100	204,348	(248)
Total Assets	255,759	247,001	8,758
DEFERRED OUTFLOWS OF RESOURCES			
Current year pension contribution	9,365	2,846	6,519
LIABILITIES			
Current Liabilities			
Accounts payable	3,154	2,165	989
Unearned revenue	6,891	6,093	798
Long-term liabilites - current portion	2,965	3,010	(45)
Total Current Liabilites	13,010	11,268	1,742
Non-Current Liabilities			
Aggregate net pension liability	43,223	35,595	7,628
Long-term liabilites	107,959	107,410	549
Total Non-Current Liabilities	151,182	143,005	8,177
Total Liabilities	164,192	154,273	9,919
DEFERRED INFLOWS OF RESOURCES			
Difference between projected and actual earnings on pension plan investments	8,896	9,868	(972)
NET POSITION			
Net investment in capital assets	89,003	94,489	(5,486)
Restricted for expendable purposes	22,085	17,751	4,334
Unrestricted	(19,052)	(26,534)	7,482
Total Net Position	$ 92,036	$ 85,706	$ 6,330

This schedule has been prepared from the District's Statement of Net Position (page 12), which is presented on an accrual basis of accounting whereby capital assets are capitalized and depreciated.

The District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – and amendment of GASB No. 27 as of June 30, 2015, which required the district to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. As of June 30, 2016, the District reported Deferred Outflows from pension activities of $9.4 million. Deferred Inflows from pension activities of $8.9 million and a Net Pension Liability of $43.2 million. We present more detailed information regarding our net pension liability in the Notes to Financial Statements.

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 14 and 15).

Operating Results for the Years Ended June 30, 2016 and 2015 (in thousands)

	2016	2015	Difference
OPERATING REVENUES			
Tuition and fees, net	$ 3,974	$ 2,678	$ 1,296
Auxiliary sales and charges	1,155	1,383	(228)
Total Operating Revenues	5,129	4,061	1,068
OPERATING EXPENSES			
Salaries and benefits	51,259	48,489	2,770
Other expenses	36,971	36,153	818
Depreciation	6,057	5,117	940
Total Operating Expenses	94,287	89,759	4,528
NET LOSS ON OPERATIONS	(89,158)	(85,698)	(3,460)
NONOPERATING REVENUES AND (EXPENSES)			
State apportionments	36,748	33,304	3,444
Property taxes	19,222	17,186	2,036
Other state revenues/mandated cost reimbursements	6,712	2,089	4,623
Grants and contracts	35,504	31,827	3,677
Interest income	433	404	29
Interest expense	(5,826)	(5,784)	(42)
Other non-operating revenues	1,938	1,557	381
Total Nonoperating Revenues	94,731	80,583	14,148
OTHER REVENUES			
State revenues, capital	495	199	296
Local revenues, capital	262	285	(23)
Total Other Revenues	757	484	273
NET INCREASE (DECREASE) IN NET POSITION	$ 6,330	$ (4,631)	$ 10,961

This schedule has been prepared from the Statement of Revenues, Expenses and Changes in Net Position presented on page 13.

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 $6.3 million.

Auxiliary revenue consists of Farm and Food Service revenues. The Food Service operation provides meals to the students and faculty of the college. The Farm operation provides farming revenue to supplement agriculture education costs and provide 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; primarily General Obligation Bonds.

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 7.

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, 2016

	Salaries	Employee Benefits	Supplies Material and Other Expenses and Services	Depreciation	Total
Instructional activities	$ 20,212,582	$ 5,235,608	$ 2,131,252	$ -	$ 27,579,442
Academic support	3,471,165	1,502,182	-	-	4,973,347
Student services	6,363,316	2,597,826	1,941,716	-	10,902,858
Plant operations and maintenance	1,603,005	958,628	3,321,578	-	5,883,211
Instructional support services	4,940,427	2,541,809	4,191,178	-	11,673,414
Community services and economic development	277,227	74,126	65,354	-	416,707
Ancillary services and auxiliary operations	1,101,797	379,229	1,365,917	-	2,846,943
Student Aid	-	-	22,643,326	-	22,643,326
Physical property and related acquisitions	-	-	1,310,673	-	1,310,673
Depreciation expense	-	-	-	6,057,258	6,057,258
Total	$ 37,969,519	$13,289,408	$ 36,970,994	$ 6,057,258	$ 94,287,179

June 30, 2015

	Salaries	Employee Benefits	Supplies Material and Other Expenses and Services	Depreciation	Total
Instructional activities	$ 18,853,037	$ 6,880,546	$ 1,961,754	$ -	$ 27,695,337
Academic support	2,883,533	928,298	-	-	3,811,831
Student services	5,570,697	1,944,348	1,972,423	-	9,487,468
Plant operations and maintenance	1,509,666	832,521	3,843,328	-	6,185,515
Instructional support services	4,963,139	2,342,556	3,732,065	-	11,037,760
Community services and economic development	354,674	69,679	138,609	-	562,962
Ancillary services and auxiliary operations	1,004,336	352,029	1,199,734	-	2,556,099
Student Aid	-	-	21,519,440	-	21,519,440
Physical property and related acquisitions	-	-	1,786,409	-	1,786,409
Depreciation expense	-	-	-	5,117,412	5,117,412
Total	$ 35,139,082	$ 13,349,977	$ 36,153,762	$ 5,117,412	$ 89,760,233

Statement of Cash Flows for the Years Ended June 30, 2016 and 2015 (in thousands)

	2016	2015	Difference
CASH PROVIDED BY (USED IN)			
Operating activities	$ (83,017)	$ (77,880)	$ (5,137)
Noncapital financing activities	102,885	89,066	13,819
Capital financing activities	(10,079)	(4,252)	(5,827)
Investing activities	438	404	34
Net Increase (Decrease) in Cash and Cash Equivalents	$ 10,227	$ 7,338	$ 2,889

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

Fiscal year 2015-2016 allowed the State to continue recovery from the devastating cuts of fiscal 2009-2010 through fiscal year 2011-2012. Fiscal year 2015-16 was actually one of the highest funded fiscal years for California Community Colleges in decades. Even though the state only funded a 1.02 percent COLA, it also made 5.87 percent Access Funding (Growth Funding) available to College of the Sequoias, and increased the District's base allocation by $2.2 million. The District adopted fiscal year 2015-2016 budget at 100 FTES Access and 1.02 percent COLA. College of the Sequoias settled negotiations with CSEA implementing an increase to benefits cap to cover 50 percent of the Health & Welfare annual increase for fiscal year 2015-2016. Management and Confidentials also received an increase to benefits cap to cover 50 percent of the health & welfare annual increase for fiscal year 2015-2016. College of the Sequoias settled negotiations with COSAFA implementing an increase to salaries of two percent. The District did not negotiate with COSTA during this year due to a PERB hearing settlement that agreed to forego further negotiations until 2016-2017.

2016-2017 negotiations were settled early for all units except COSAFA, and the District was able to offer a six percent salary increase for COSTA, Classified, and Management/Confidentials, in addition to a one percent stipend. Those three units were settled by September 2016, allowing for a positive fiscal start to the 2016-2017 year. There are currently no other known facts, decisions, or conditions that will have a significant effect on the financial position (net assets) or results of operations (revenues, expenses, and changes in net assets) of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION – PRIMARY GOVERNMENT
JUNE 30, 2016

ASSETS	
Current Assets	
Cash and investments	$ 22,351,832
Restricted investments	23,579,645
Accounts receivable	2,149,052
Student loans receivable, net	3,035,787
Due from fiduciary funds	162
Prepaid expenses	405,370
Inventories	60,429
Other current assets (note receivable)	76,710
Total Current Assets	51,658,987
Noncurrent Assets	
Unamortized discounts	34,403
Net Plan Asset - OPEB Trust	6,723,521
Nondepreciable capital assets	13,871,261
Depreciable capital assets	230,711,430
Less: Accumulated depreciation	(47,240,112)
Total Noncurrent Assets	204,100,503
TOTAL ASSETS	255,759,490
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	9,365,034
LIABILITIES	
Current Liabilities	
Accounts payable	3,154,165
Unearned revenue	6,891,597
Long-term liabilities	2,964,994
Total Current Liabilities	13,010,756
Noncurrent Liabilities	
Compensated absences/banked leave	1,892,351
Aggregate net pension obligation	43,222,831
Long-term liabilities	106,066,498
Total Noncurrent Liabilities	151,181,680
TOTAL LIABILITIES	164,192,436
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	8,896,536
NET POSITION	
Net investment in capital assets	89,002,983
Restricted for:	
Debt service	17,134,496
Capital projects	4,416,901
Other activities	533,303
Unrestricted	(19,052,131)
TOTAL NET POSITION	$ 92,035,552

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

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2016

OPERATING REVENUES	
Tuition and Fees, net	$ 3,974,344
Auxiliary Sales and Charges	
Cafeteria	705,887
Farm	449,070
TOTAL OPERATING REVENUES	5,129,301
OPERATING EXPENSES	
Salaries	37,969,519
Employee benefits	13,289,408
Supplies, materials, and other operating expenses and services	36,970,994
Depreciation	6,057,258
TOTAL OPERATING EXPENSES	94,287,179
OPERATING LOSS	(89,157,878)
NON-OPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	36,747,776
Local property taxes, levied for general purposes	13,210,125
Taxes levied for other specific purposes	6,011,536
State taxes and other local revenues	6,711,861
Grants and Contracts, noncapital:	
Federal	22,108,818
State	13,394,689
Investment income	433,460
Interest expense on capital related debt	(5,825,421)
Other non-operating revenues	1,937,460
TOTAL NON-OPERATING REVENUES (EXPENSES)	94,730,304
INCOME (LOSS) BEFORE OTHER REVENUES	5,572,426
OTHER REVENUES	
State revenues, capital	495,010
Local revenues, capital	261,734
TOTAL OTHER REVENUES	756,744
CHANGE IN NET POSITION	6,329,170
NET POSITION, BEGINNING OF YEAR	85,706,382
NET POSITION, END OF YEAR	$ 92,035,552

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

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS – PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 3,981,698
Payments to studends and vendors for finanacial aid, supplies and services	(36,741,353)
Payments to or on behalf of employees	(51,412,614)
Auxiliary enterprise sales and charges	1,154,957
Net Cash Flows Used In Operating Activities	(83,017,312)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	37,508,042
Noncapital grants and contracts	36,722,387
Property taxes - non debt related	19,221,661
State taxes and other apportionments	6,409,435
Other nonoperating	3,023,419
Net Cash Flows From Noncapital Financing Activities	102,884,944
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(5,797,069)
Proceeds from capital debt	8,877,878
State revenue, capital projects	495,010
Local revenue, capital projects	261,734
Proceeds from sale/disposal of capital assets	7,835
Principal paid on capital debt	(8,099,180)
Interest and cost of issuance paid on capital debt	(5,825,421)
Net Cash Flows Used In Capital Financing Activities	(10,079,213)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	437,828
Net Cash Flows From Investing Activities	437,828
NET CHANGE IN CASH AND CASH EQUIVALENTS	10,226,247
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	35,705,230
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 45,931,477

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

STATEMENT OF CASH FLOWS – PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2016

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (89,157,878)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:	
Depreciation expense	6,057,258
Changes in Assets and Liabilities:	
Receivables	(329,456)
Inventories	10,733
Prepaid expenses and deferred charges	97,984
Accounts payable	179,573
Unearned revenue	261,301
Compensated absences, early retirement, and pension obligations	7,352,896
Deferred inflows/outlfows for related to pensions	(7,489,723)
Total Adjustments	6,140,566
Net Cash Flows From Operating Activities	$ (83,017,312)
NON CASH TRANSACTIONS	
On behalf payments for benefits	$ 1,346,487

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

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

	Agency Funds	Trust Funds
ASSETS		
Deposits and investments	$ 643,651	$ 1,234,970
Receivables	19,948	16,504
Student loans receivable, net	-	220,176
Total Assets	663,599	1,471,650
LIABILITIES		
Accounts payable	15,300	1,470
Due to primary government	162	-
Unearned revenue	129,040	192,223
Total Liabilities	144,502	193,693
NET POSITION		
Restricted	519,097	1,277,957
Total Net Position	$ 519,097	$ 1,277,957

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

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Agency Funds	Trust Funds
ADDITIONS		
Local revenues	348,918	$ 409,941
Total Revenues	348,918	409,941
DEDUCTIONS		
Current Expenditures		
Classified salaries	63,785	535
Employee benefits	37,235	64
Books and supplies	163,333	45,054
Services and operating expenditures	1,047	240,437
Debt service - principal	-	27,484
Debt service - interest and other	-	37,516
Total Expenditures	265,400	351,090
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	83,518	58,851
OTHER FINANCING SOURCES (USES)		
Operating transfers in	67,655	38
Operating transfers out	(67,693)	(15,000)
Other uses	-	(500)
Total Other Financing Sources (Uses)	(38)	(15,462)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	83,480	43,389
NET POSITION, BEGINNING OF YEAR	435,617	1,234,568
NET POSITION, END OF YEAR	$ 519,097	$ 1,277,957

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 FINANCIAL POSITION
JUNE 30, 2016

ASSETS		
Current Assets:		
Cash and cash equivalents	$	653,486
Short-term investments		8,663,574
TOTAL CURRENT ASSETS		9,317,060
Noncurrent Assets:		
Nondepreciable capital assets		329,478
TOTAL ASSETS	$	9,646,538
LIABILITIES		
TOTAL LIABILITIES	$	480,135
NET ASSETS		
Unrestricted		7,407,070
Permanently restricted		1,759,333
TOTAL NET ASSETS		9,166,403
TOTAL LIABILITIES AND NET ASSETS	$	9,646,538

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, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS:				
Contributions	$ 384,650	$ -	$ -	$ 384,650
Revenues:				
Investment income	255,690	-	-	255,690
Fundraisers	312,721	-	-	312,721
Program fees	212,130	-	-	212,130
Net assets released from restrictions	480,136	(323,958)	(156,178)	-
Total Support and Revenue	1,645,327	(323,958)	(156,178)	1,165,191
EXPENSES:				
Scholarships	848,852	-	-	848,852
College enhancement	830,153	-	-	830,153
General administrative	206,596	-	-	206,596
Total Expenses	1,885,601	-	-	1,885,601
CHANGE IN NET ASSETS	(240,274)	(323,958)	(156,178)	(720,410)
NET ASSETS, BEGINNING OF YEAR	6,928,777	1,538,901	1,433,867	9,901,545
PRIOR PERIOD ADJUSTMENT, ACCOUNTING CHANGE	(14,732)	-	-	(14,732)
PRIOR PERIOD ADJUSTMENT, REALLOCATION	733,299	(1,214,943)	481,644	-
NET ASSETS, BEGINNING OF YEAR AS RESTATED	7,647,344	323,958	1,915,511	9,886,813
NET ASSETS, END OF YEAR	$ 7,407,070	$ -	$ 1,759,333	$ 9,166,403

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

DISCRETELY PRESENTED COMPONENT UNIT - COLLEGE OF THE SEQUOIAS FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (720,410)
Adjustments to reconcile net assets provided by operating activities:	
Decrease in operating assets:	
Accounts receivable	300
Increase in operating liabilities:	
Accounts payable	480,135
Net Cash Used by Operating Activities	(239,975)
CASH FLOWS FROM INVESTING ACTIVITIES	
Net purchaes of investments	(424,069)
Net Cash Used by Investing Activities	(424,069)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(664,044)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,317,530
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 653,486

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 centers located in the Counties of Tulare and Kings, 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. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

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 38 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, No. 38, and No. 39. 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 Discussion and Analysis for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* as amended by GASB Statements No. 37, No. 38, and No. 39. 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, 2016, 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 $2,199,975 for the fiscal year ending June 30, 2016. 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.

Debt Premiums and Discounts

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

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 current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid within 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. The liability for this benefit is reported on the entity-wide financial statements.

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.

Unearned Revenue

Unearned 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 unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue includes (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.

Noncurrent Liabilities

Noncurrent liabilities include bonds and certificates of participation, compensated absences, capital lease obligations, pensions, 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.

Restricted: 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.

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances 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.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study 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. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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 Primary Government and Fiduciary Funds' financial statements, respectively.

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.

Change in Accounting Principles

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of State and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes.

The provisions in this Statement, effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of GASB Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of GASB Statement No. 68 are effective for periods beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of State and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of GASB Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures, for both the qualifying external investment pools and their participants, include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, No. 43, and No. 50, *Pension Disclosures*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 30, 2017. Early implementation is encouraged.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Early implementation is encouraged.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to State or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of GASB Statement No. 68 applied to the financial statements of all State and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a State or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of State or local governmental employers and to employees of employers that are not State or local governmental employers; and (3) has no predominant State or local governmental employer (either individually or collectively with other State or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment to GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment to GASB Statement No. 14*.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

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, 2016, consist of the following:

Primary government	$ 45,931,477
Fiduciary funds	1,878,621
Total Deposits and Investments	$ 47,810,098

Cash on hand and in banks	$ 2,525,634
Cash in revolving	50,000
Cash with fiscal agent	20,000
Investments	45,214,464
Total Deposits and Investments	$ 47,810,098

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing 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	$ 45,432,171	$ -	$ -	$ 45,432,171	$ -
State Investment Pool	167,000	167,000	-	-	-
Held by Trustee:					
GASB 45 Trust-Balanced Portfolio	6,850,236	6,850,236	-	-	-
Total	$ 52,449,407	$ 7,017,236	$ -	$ 45,432,171	$ -

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	$ 6,850,236

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, 2016, the District's bank balance of $2,833,510 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 $6,850,236, the District has a custodial credit risk exposure of $6,850,236 because the related securities are uninsured, unregistered, and held by the brokerage firm which is also the counterparty for these securities.

NOTE 4 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Tulare County Treasury Investment Pool, State Investment Pool, and the GASB 45 Trust-Balanced Portfolio are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016, consisted of intergovernmental grants, entitlements, interest, and other local sources and are as follows:

	Primary Government	Fiduciary Funds	Total
Federal Government			
Categorical aid	$ 302,535	$ 29,188	$ 331,723
State Government			
State grants and entitlements	1,021,311	-	1,021,311
Local Sources	825,206	7,264	832,470
Subtotal	2,149,052	36,452	2,185,504
Student loans and grants receivable, net	3,035,787	220,176	3,255,963
Total	$ 5,184,839	$ 256,628	$ 5,441,467

NOTE 6 - PREPAID EXPENDITURES

Prepaid expenditures at June 30, 2016, consist of the following:

	Primary Government
Vendor payments	$ 405,370

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, are as follows:

	Beginning of Year	Additions	Deductions	End of Year
Capital Assets Not Being Depreciated				
Land	$ 11,314,803	$ -	$ -	$ 11,314,803
Construction in progress	1,437,769	4,320,525	3,201,836	2,556,458
Total Capital Assets Not Being Depreciated	12,752,572	4,320,525	3,201,836	13,871,261
Capital Assets Being Depreciated				
Land improvements	9,752,382	3,051,905	-	12,804,287
Buildings and improvements	207,611,611	149,931	-	207,761,542
Furniture and equipment	9,513,529	909,207	277,135	10,145,601
Total Capital Assets Being Depreciated	226,877,522	4,111,043	277,135	230,711,430
Total Capital Assets	239,630,094	8,431,568	3,478,971	244,582,691
Less Accumulated Depreciation				
Land improvements	4,466,982	480,148	-	4,947,130
Buildings and improvements	29,787,046	5,145,089	-	34,932,135
Furniture and equipment	6,888,677	741,470	269,300	7,360,847
Total Accumulated Depreciation	41,142,705	6,366,707	269,300	47,240,112
Net Capital Assests	$ 198,487,389	$ 2,064,861	$ 3,209,671	$ 197,342,579

Depreciation expense for the year was $6,366,707. There was no interest capitalized during the year but $300,096 of depreciation expense was recognized related to prior capitalized interest.

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2016, consist of the following:

	Primary Government	Fiduciary Funds	Total
Vendor invoices	$ 1,318,084	$ 16,770	$ 1,334,854
State apportionment	1,082,329	-	1,082,329
Benefits	318,758	-	318,758
Deferred payroll	434,994	-	434,994
Total	$ 3,154,165	$ 16,770	$ 3,170,935

Discretely Presented Component Unit

The Foundation had scholarships payable totaling $480,135 as of June 30, 2016.

NOTE 9 - UNEARNED REVENUE

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

	Primary Government	Fiduciary Funds	Total
Federal financial assistance	$ 126,688	$ -	$ 126,688
State categorical aid	2,751,590	-	2,751,590
Student fees	2,625,585	321,263	2,946,848
Other local	1,387,734	-	1,387,734
Total	$ 6,891,597	$ 321,263	$ 7,212,860

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

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

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
Certificates of participation 2004	$ 2,960,000	$ -	$ 100,000	$ 2,860,000	$ 105,000
General Obligation Bonds 2006, A (Hanford):					
Current interest	13,540,000	-	-	13,540,000	-
Capital appreciation	1,964,774	182,615	245,000	1,902,389	290,000
General Obligation Bonds 2008, B (Hanford):					
Current interest	3,980,000	-	335,000	3,645,000	355,000
Capital appreciation	3,884,225	287,695	-	4,171,920	-
General Obligation Bonds 2008, A (Tulare):					
Current interest	14,205,000	-	-	14,205,000	-
Capital appreciation	6,404,654	617,772	665,000	6,357,426	725,000
General Obligation Bonds 2008, B (Tulare):					
Current interest	3,650,000	-	-	3,650,000	-
Capital appreciation	8,862,955	706,483	220,000	9,349,438	230,000
General Obligation Bonds 2008, C (Tulare):					
Current interest	1,425,000	-	-	1,425,000	-
Capital appreciation	2,254,386	156,936	-	2,411,322	-
General Obligation Bonds 2008, D (Tulare):					
Current interest	-	3,710,000	-	3,710,000	-
General Obligation Bonds 2008, A (Visalia):					
Current interest	13,750,000	-	-	13,750,000	-
Capital appreciation	5,430,178	561,678	630,000	5,361,856	685,000
General Obligation Bonds, 2008, B (Visalia):					
Current interest	4,650,000	-	-	4,650,000	-
Capital appreciation	622,438	73,510	-	695,948	-
General Obligation Bonds 2008, C (Visalia):					
Current interest	3,755,000	-	-	3,755,000	-
Capital appreciation	1,857,194	181,608	-	2,038,802	-
Unamortized premium on bonds	5,835,032	235,465	289,180	5,781,317	298,599
Lease Revenue Bonds, Series 2010A	2,885,000	-	95,000	2,790,000	100,000
Bond Anticipation Note 2013 (Tulare)	5,433,888	86,112	5,520,000	-	-
Capital leases-Solar Project	903,070	2,078,004	-	2,981,074	176,395
Early retirement incentive	280,722	-	280,722	-	-
Total	$ 108,533,516	$ 8,877,878	$ 8,379,902	$ 109,031,492	$ 2,964,994
Accumulated vacation/banked leave - net	$ 1,886,547	$ 5,804	$ -	$ 1,892,351	$ -
Discounts	$ 36,214	$ -	$ 1,811	$ 34,403	$ -

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 Lease Revenue Bonds, Bond Anticipation Note and capital leases are made by the General Fund. The accumulated vacation, banked leave, and the early retirement incentive will be paid by the fund for which the employee worked.

Certificates of Participation

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
2017	$ 105,000	$ 132,505	$ 237,505
2018	110,000	128,305	238,305
2019	115,000	123,905	238,905
2020	120,000	119,075	239,075
2021	125,000	113,975	238,975
2022-2026	715,000	477,852	1,192,852
2027-2031	910,000	290,463	1,200,463
2032-2034	660,000	63,650	723,650
Total	$ 2,860,000	$ 1,449,730	$ 4,309,730

Bonded Debt

The District's bonded debt is summarized as follows:

Year Issued	Campus	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2015	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2016
General obligation bonds:								
2006	Hanford	2/1/2033	3.58-4.25	$ 14,999,982	$ 15,504,774	$ 182,615	$ 245,000	$ 15,442,389
2008	Hanford	2/1/2034	1.85-6.99	6,995,778	7,864,225	287,695	335,000	7,816,920
2008	Tulare	8/1/2033	2.4-6.36	19,998,219	20,609,654	617,772	665,000	20,562,426
2011	Tulare	8/1/2040	3.28-7.62	10,004,927	12,512,955	706,483	220,000	12,999,438
2013	Tulare	8/1/2042	2.09-5.20	3,401,460	3,679,386	156,936	-	3,836,322
2016	Tulare	8/1/2040	3.00-5.00	3,710,000	-	3,710,000	-	3,710,000
2008	Visalia	8/1/2033	2.4-6.22	17,997,404	19,180,178	561,678	630,000	19,111,856
2010	Visalia	8/1/2039	5.1-6.610	4,999,652	5,272,438	73,510	-	5,345,948
2011	Visalia	8/1/2036	4.12-7.74	4,995,439	5,612,194	181,608	-	5,793,802
Lease revenue bonds:								
2010	Hanford	6/1/2035	3.00-5.28	3,310,000	2,885,000	-	95,000	2,790,000
Bond Anticipation Note:								
2013	Tulare	7/1/2016	1.57	5,276,844	5,433,888	86,112	5,520,000	-
	Total				$ 98,554,692	$ 6,564,409	$ 7,710,000	$ 97,409,101

2006 Hanford Series A, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2017	$ -	$ 677,000	$ 677,000
2018	-	677,000	677,000
2019	-	677,000	677,000
2020	-	677,000	677,000
2021	-	677,000	677,000
2022-2026	3,060,000	3,181,250	6,241,250
2027-2031	6,630,000	2,030,000	8,660,000
2032-2033	3,850,000	243,625	4,093,625
Total	$ 13,540,000	$ 8,839,875	$ 22,379,875

2006 Hanford Series A, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2017	$ 290,000	$ 290,000	$ -
2018	335,000	302,840	32,160
2019	390,000	318,708	71,292
2020	440,000	325,072	114,928
2021	495,000	330,660	164,340
2022	555,000	335,109	219,891
Total	$ 2,505,000	$ 1,902,389	$ 602,611

2008 Hanford Series B, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2017	$ 355,000	$ 161,738	$ 516,738
2018	385,000	149,313	534,313
2019	405,000	135,838	540,838
2020	435,000	120,650	555,650
2021	465,000	103,250	568,250
2022-2024	1,600,000	163,750	1,763,750
Total	$ 3,645,000	$ 834,539	$ 4,479,539

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	$ 1,906,992	$ 2,653,008
2033	2,205,000	739,116	1,465,884
2034	5,855,000	1,525,812	4,329,188
Total	$ 12,620,000	$ 4,171,920	$ 8,448,080

2008 Tulare Series A, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2017	$ -	$ 764,313	$ 764,313
2018	-	764,313	764,313
2019	-	764,313	764,313
2020	-	764,313	764,313
2021	-	764,313	764,313
2022-2026	-	3,821,565	3,821,565
2027-2031	8,955,000	2,977,102	11,932,102
2032-2034	5,250,000	458,700	5,708,700
Total	$ 14,205,000	$ 11,078,932	$ 25,283,932

2008 Tulare Series A, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2017	$ 725,000	$ 725,000	$ -
2018	785,000	708,698	76,302
2019	845,000	688,675	156,325
2020	910,000	669,578	240,422
2021	975,000	647,790	327,210
2022-2026	5,985,000	2,917,685	3,067,315
Total	$ 10,225,000	$ 6,357,426	$ 3,867,574

2008 Tulare Series B, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2017	$ -	$ 178,625	$ 178,625
2018	-	178,625	178,625
2019	-	178,625	178,625
2020	295,000	178,625	473,625
2021	340,000	166,825	506,825
2022-2026	770,000	687,413	1,457,413
2027-2031	1,685,000	456,631	2,141,631
2032	560,000	30,100	590,100
Total	$ 3,650,000	$ 2,055,469	$ 5,705,469

2008 Tulare Series B, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2017	$ 230,000	$ 230,000	$ -
2018	250,000	222,500	27,500
2019	270,000	213,840	56,160
2034-2037	11,880,000	2,485,155	9,394,845
Total	$ 12,630,000	$ 3,151,495	$ 9,478,505

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	$ 2,345,743	$ 10,391,696

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	$ 3,852,200	$ 1,647,800

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

Year Ending June 30,	Principal	Interest	Total
2022-2026	$ -	$ 1,595,000	$ 1,595,000
2027-2031	-	1,993,750	1,993,750
2032-2036	-	1,993,750	1,993,750
2037-2041	5,500,000	1,789,300	7,289,300
Total	$ 5,500,000	$ 7,371,800	$ 12,871,800

2008 Tulare Series C, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2017	$ -	$ 63,075	$ 63,075
2018	-	63,075	63,075
2019	65,000	63,075	128,075
2020	65,000	61,775	126,775
2021	60,000	60,475	120,475
2022-2026	255,000	274,375	529,375
2027-2031	130,000	227,463	357,463
2032-2036	-	212,500	212,500
2037-2041	-	212,500	212,500
2042-2043	850,000	85,000	935,000
Total	$ 1,425,000	$ 1,323,313	$ 2,748,313

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

Capital Appreciation Term Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2039	$ 2,130,000	$ 736,554	$ 1,393,446
2042	4,920,000	1,674,768	3,245,232
Total	$ 7,050,000	$ 2,411,322	$ 4,638,678

Upon maturity of capital appreciation term bonds, current interest bonds with mandatory early redemptions:

Year Ending June 30,	Principal	Interest	Total
2032-2036	$ 865,000	$ 1,387,036	$ 2,252,036
2037-2041	2,420,000	1,826,648	4,246,648
2042-2043	3,765,000	468,883	4,233,883
Total	$ 7,050,000	$ 3,682,567	$ 10,732,567

2008 Tulare Series D, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2017	$ -	$ 22,400	$ 22,400
2018	105,000	134,400	239,400
2019	50,000	129,150	179,150
2020	60,000	126,650	186,650
2021	65,000	123,650	188,650
2022-2026	440,000	562,750	1,002,750
2027-2031	725,000	1,331,500	2,056,500
2032-2036	920,000	288,900	1,208,900
2037-2041	1,345,000	130,438	1,475,438
Total	$ 3,710,000	$ 2,849,838	$ 6,559,838

2008 Visalia Series A, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2017	$ -	$ 738,300	$ 738,300
2018	-	738,300	738,300
2019	-	738,300	738,300
2020	-	738,300	738,300
2021	-	738,300	738,300
2022-2026	1,145,000	3,691,500	4,836,500
2027-2031	7,965,000	2,639,926	10,604,926
2032-2034	4,640,000	403,150	5,043,150
Total	$ 13,750,000	$ 10,426,076	$ 24,176,076

2008 Visalia Series A, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2017	$ 685,000	$ 685,000	$ -
2018	745,000	666,924	78,076
2019	805,000	645,127	159,873
2020	865,000	620,551	244,449
2021	930,000	597,246	332,754
2022-2025	4,415,000	2,147,008	2,267,992
Total	$ 8,445,000	$ 5,361,856	$ 3,083,144

2008 Visalia Series B, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2017	$ -	$ 232,500	$ 232,500
2018	-	232,500	232,500
2019	-	232,500	232,500
2020	-	232,500	232,500
2021	-	232,500	232,500
2022-2026	-	1,162,500	1,162,500
2027-2031	-	1,162,500	1,162,500
2032-2036	-	1,162,500	1,162,500
2037-2040	4,650,000	822,500	5,472,500
Total	$ 4,650,000	$ 5,472,500	$ 10,122,500

2008 Visalia Series B, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2034-2038	$ 5,820,000	$ 695,948	$ 5,124,052

2008 Visalia Series C, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2017	$ -	$ 206,525	$ 206,525
2018	-	206,525	206,525
2019	-	206,525	206,525
2020	-	206,525	206,525
2021	-	206,525	206,525
2022-2026	-	1,032,625	1,032,625
2027-2031	-	1,032,625	1,032,625
2032-2036	1,790,000	1,032,625	2,822,625
2037	1,965,000	108,075	2,073,075
Total	$ 3,755,000	$ 4,238,575	$ 7,993,575

2008 Visalia Series C, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2018	$ 20,000	$ 17,800	$ 2,200
2019	35,000	27,720	7,280
2020	55,000	38,775	16,225
2021	70,000	43,918	26,082
2022-2026	750,000	315,392	434,608
2027-2031	1,805,000	443,501	1,361,499
2035	4,520,000	1,151,696	3,368,304
Total	$ 7,255,000	$ 2,038,802	$ 5,216,198

Lease Revenue Bonds

2010 Series A, Lease Revenue Bonds:

Year Ending June 30,	Principal	Interest	Total
2017	$ 100,000	$ 131,256	$ 231,256
2018	100,000	128,006	228,006
2019	105,000	124,506	229,506
2020	110,000	120,569	230,569
2021	115,000	116,169	231,169
2022-2026	645,000	503,031	1,148,031
2027-2031	810,000	333,155	1,143,155
2032-2035	805,000	105,319	910,319
Total	$ 2,790,000	$ 1,562,011	$ 4,352,011

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	$ 276,213
2008, Series A	Tulare	1,943,835
2008, Series B	Tulare	572,648
2008, Series D	Tulare	235,465
2008, Series A	Visalia	1,813,876
2008, Series B	Visalia	575,583
2008, Series C	Visalia	363,697
Total unamortized premium		$ 5,781,317

Capital Lease - Solar Project

The District's liability on the capital lease agreement is summarized below:

Year Ending June 30,	Lease Payment
2017	$ 176,395
2018	176,395
2019	176,395
2020	176,395
2021	176,395
2022-2026	881,975
2027-2031	881,975
2032-2033	335,149
Total	$ 2,981,074

Balance, July 1, 2015	$ 903,070
Additions	2,078,004
Balance, June 30, 2016	$ 2,981,074

Early Retirement Incentive

The District previously adopted an early retirement incentive program, pursuant to *Education Code* Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District. The District entered into agreements with 13 employees and the final obligation of $280,722 was paid in full during the fiscal year ending June 30, 2016.

Accumulated Unpaid Employee Compensation

The long-term portion of accumulated unpaid employee compensation and banked leave for the District at June 30, 2016, amounted to $1,892,351.

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

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 91 retirees and beneficiaries currently receiving benefits and approximately 377 active plan members. Separate financial statements are not prepared for the Trust.

Contribution Information

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 2015-2016, the District contributed $914,975 to the Plan, all of which was used for current premiums (approximately 76 percent of total premiums). The District made an additional contribution of $1,000,000 to the OPEB Trust. Plan members receiving benefits contributed $296,719, or approximately 24 percent of total premiums. The annual required contribution (ARC) for the District as of July 1, 2014, was $921,001. The net amount of the Trust's investment returns/losses and the cumulative balance of the ARC has left a Net Plan Asset totaling $6,723,521 as of June 30, 2016.

Annual OPEB Cost and Net OPEB Asset

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 asset to the Plan.

Annual required contribution	$ (921,001)
Interest adjustment	(491,706)
Adjustment to annual required contribution	396,497
Annual OPEB cost (expense)	(1,016,210)
Contributions made	1,914,975
Change in net OPEB asset	898,765
Net OPEB asset, beginning of year	5,824,756
Net OPEB asset, end of year	$ 6,723,521

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Contribution	Percentage Contributed	Net OPEB Asset
2016	$ 1,016,210	$ 1,914,975	188%	$ 6,723,521
2015	774,011	1,226,406	158%	5,824,756
2014	663,347	1,000,488	151%	5,372,361

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)
November 1, 2014	$ 6,056,322	$ 11,342,602	$ 5,286,280	53.4%	$ 36,000,000	14.7%

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 November 1, 2014, 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, 2016, was 29 years. The actuarial value of assets was $6,056,322 in this actuarial valuation. At June 30, 2016, the Trust held assets in the amount of $6,850,236, which consisted of deposits with U.S. Bank in the Retiree Health Benefits Funding Program JPA.

NOTE 13 - RISK MANAGEMENT

Health and Welfare

Employee health coverage benefits are covered by the California Valued 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, 2016, the District contracted with the Statewide Association of Community Colleges joint powers agency 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, 2016, the District participated in the Tulare County Schools Insurance Group, an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

For the fiscal year ended June 30, 2016, the District reported the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 28,201,515	$ 4,642,351	$ 4,992,151	$ 2,191,153
CalPERS	15,021,316	4,722,683	3,904,385	1,521,302
Total	$ 43,222,831	$ 9,365,034	$ 8,896,536	$ 3,712,455

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.12589%	7.12589%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the District's total contributions were $2,200,906.

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	$ 28,201,515
State's proportionate share of the net pension liability associated with the District	14,915,493
Total	$ 43,117,008

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.0419 percent and 0.0415 percent, resulting in a net increase in the proportionate share of 0.0004 percent.

For the year ended June 30, 2016, the District recognized pension expense of $2,191,153. In addition, the District recognized pension expense and revenue of $1,155,372 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,200,906	$ -
Net change in proportionate share of net pension liability	219,430	-
Difference between projected and actual earnings on pension plan investments	2,222,015	4,520,897
Differences between expected and actual experience in the measurement of the total pension liability	-	471,254
Total	$ 4,642,351	$ 4,992,151

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (951,462)
2018	(951,462)
2019	(951,462)
2020	555,504
Total	$ (2,298,882)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and the differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (41,971)
2018	(41,971)
2019	(41,971)
2020	(41,971)
2021	(41,971)
Thereafter	(41,969)
Total	$ (251,824)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of ten-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

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

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 42,582,093
Current discount rate (7.60%)	$ 28,201,515
1% increase (8.60%)	$ 16,250,095

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2016, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the total District contributions were $1,149,921.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $15,021,316. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.1019 percent and 0.0997 percent, resulting in a net increase in the proportionate share of 0.0022 percent.

For the year ended June 30, 2016, the District recognized pension expense of $1,521,302. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,149,921	$ -
Net change in proportionate share of net pension liability	247,180	-
Difference between projected and actual earnings on pension plan investments	2,467,092	2,981,434
Differences between expected and actual experience in the measurement of the total pension liability	858,490	-
Changes of assumptions	-	922,951
Total	$ 4,722,683	$ 3,904,385

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (377,038)
2018	(377,038)
2019	(377,038)
2020	616,772
Total	$ (514,342)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and the differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ 63,007
2018	63,007
2019	56,705
Total	$ 182,719

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.65%)	$ 24,448,443
Current discount rate (7.65%)	$ 15,021,316
1% increase (8.65%)	$ 7,182,030

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, 2016, 2015, and 2014, which amounted to $1,346,487, $1,067,991, and $864,330, respectively, (7.12589 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, 2016, 2015, and 2014. 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 2015-2016 was 2.3 percent of annual payroll. The contribution requirements of the plan members are established by State statute.

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

The District is a member of the Tulare County Schools Insurance Group, Statewide Association of Community Colleges, and the California Valued 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 or California Valued Trust. The Vice President of Administrative Services has been appointed to the Governing Board of the Statewide Association of Community Colleges.

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

During the year ended June 30, 2016, the District made payments of $634,610, $571,999, and $7,361,224, to the Tulare County Schools Insurance Group, Statewide Association of Community Colleges, and the California Valued Trust, respectively.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

Litigation

The District is not currently a party to any legal proceedings.

Operating Leases

The District has entered into various operating leases for 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.

REQUIRED SUPPLEMENTARY INFORMATION

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016

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)
November 1, 2014	$ 6,056,322	$ 11,342,602	$ 5,286,280	53.4%	$ 36,000,000	14.7%
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%

See accompanying notes to required supplementary information.

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
District's proportion of the net pension liability (asset)	0.0419%	0.0415%
District's proportionate share of the net pension liability (asset)	$ 28,201,515	$ 24,273,400
State's proportionate share of the net pension liability (asset) associated with the District	14,915,493	14,657,327
Total	$ 43,117,008	$ 38,930,727
District's covered - employee payroll	$ 19,211,633	$ 18,895,418
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	146.79%	128.46%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
CalPERS		
District's proportion of the net pension liability (asset)	0.1019%	0.0997%
District's proportionate share of the net pension liability (asset)	$ 15,021,316	$ 11,321,616
District's covered - employee payroll	$ 9,687,325	$ 9,094,691
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	155.06%	124.49%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

Note : In the future, as data become available, ten years of information will be presented.

See accompanying notes to required supplementary information.

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
Contractually required contribution	$ 2,200,906	$ 1,705,993
Contributions in relation to the contractually required contribution	2,200,906	1,705,993
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 20,511,705	$ 19,211,633
Contributions as a percentage of covered - employee payroll	10.73%	8.88%
CalPERS		
Contractually required contribution	$ 1,149,921	$ 1,140,295
Contributions in relation to the contractually required contribution	1,149,921	1,140,295
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 9,706,431	$ 9,687,325
Contributions as a percentage of covered - employee payroll	11.847%	11.771%

Note : In the future, as data become available, ten years of information will be presented.

See accompanying notes to required supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

NOTE 2 - CHANGES IN BENEFIT TERMS AND ASSUMPTIONS

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS and CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2016

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 Education Center and Tulare College Center are accredited by the Accrediting Commission for Community and Junior Colleges as part of the Sequoias Community College District.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Mr. Kenneth Nunes	President	2018
Mrs. Lori Cardoza	Vice President	2020
Mr. Earl Mann	Clerk	2020
Mr. Greg Sherman	Trustee	2018
Mr. John A. Zumwalt	Trustee	2018
Mr. Andres Flores	Student Trustee	2016

ADMINISTRATION

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

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

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	$ 276,542
Supplemental Educational Opportunity Grants Administration	84.007	13,314
Federal Work Study	84.033	281,740
TANF 50% Federal Calworks	84.033	43,434
Federal Work Study Administration	84.033	13,314
Pell Grant	84.063	19,366,433
Pell Grant Administration	84.063	25,127
Total Student Financial Assistance Cluster		20,019,904
Title V - Higher Education Institutional Aid, Hispanic Serving Institute Sequoias	84.031S	177,051
Title V - Higher Education Institutional Aid, Hispanic Serving Institute PASEO	84.031S	385,056
TRIO Upward Bound Math/Science	84.047M	267,677
TRIO/SSS	84.047M	235,633
Math, Science, Engineering Improvement Program	84.120A	194,465
Vocational and Applied Technology Education Act (VTEA) Title II, Part C Student Support	84.048	381,695
Wildlife and Fish	N/A	326
Subtotal U.S. Department of Education		1,641,903
U.S. DEPARTMENT OF VETERAN AFFAIRS		
Veteran's Education	64.112	6,989
Subtotal U.S. Department of Veteran Affairs		6,989
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Foster Care Education	93.658	121,073
Medi-Cal Administrative Activities	93.778	15,107
Subtotal U.S. Department of Health and Human Services		136,180
U.S. DEPARTMENT OF LABOR		
Workforce Investment Act	17.258	161,653
Trade Adjustment Assistance Community College and Career Training	17.282	96,842
Subtotal U. S. Department of Labor		258,495

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Schools and Roads Programs:		
Flood Control	10.665	$ 510
Forest Reserve	10.665	21,957
Total Schools and Roads Programs		22,467
Subtotal U.S. Department of Agriculture		22,467
Total Federal Expenditures		$ 22,085,938

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, 2016

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
STATE PROJECTS			
BFAP Administration Allowance	$ 461,205	$ -	$ 461,205
Block Grant Instructional Materials	577,364	-	577,364
Basic Skills	122,455	116,693	239,148
Cal Works	379,824	-	379,824
Cal Grant	1,979,970	273	1,980,243
CARE	213,239	-	213,239
Career Technical Education - Transitions	45,119	-	45,119
Disabled Students Programs and Services	1,225,829	-	1,225,829
Department of Rehabilitation Workability III	113,372	-	113,372
Economic Development DSN/CTE Health Service	300,000	99,167	399,167
Economic Development DSN/CTE Advanced Manufacturing	300,000	172,830	472,830
Extended Opportunity Program and Services	1,165,763	-	1,165,763
Lottery Prop 20	481,067	462,438	943,505
Independent Living	22,500	-	22,500
Matriculation SSSP	2,400,000	299,884	2,699,884
Student Equity SEP	1,492,952	563,092	2,056,044
Part Time Faculty Office Hours	3,973	-	3,973
Part Time Faculty Parity	234,336	-	234,336
Staff Diversity	5,106	-	5,106
TANF 50% State	43,434	-	43,434
Scheduled Maintenance and Repair	577,364	-	577,364
YESS Transition Aged Foster Youth	3,750	-	3,750
AB86 Adult Ed Block Grant	252,284	-	252,284
Total State Programs	$ 12,400,906	$ 1,714,377	$ 14,115,283

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Prior Year Carryforward	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
$ 461,205	$ -	$ -	$ -	$ 461,205	$ 461,205
577,364	-	-	-	577,364	577,364
122,455	116,693	-	107,843	131,305	131,305
376,927	-	2,897	-	379,824	379,824
1,979,970	273	-	-	1,980,243	1,980,243
213,239	-	-	-	213,239	213,239
9,712	-	35,203	-	44,915	44,915
1,225,829	-	-	-	1,225,829	1,225,829
54,053	-	51,948	-	106,001	106,001
-	2,774	300,144	-	302,918	302,918
-	76,277	303,747	-	380,024	380,024
1,165,763	-	-	-	1,165,763	1,165,763
271,686	462,438	209,382	728,030	215,476	215,476
9,706	-	10,690	-	20,396	20,396
2,400,000	299,884	-	868,330	1,831,554	1,831,554
1,385,652	563,092	107,300	898,190	1,157,854	1,157,854
3,973	-	-	-	3,973	3,973
234,336	-	-	-	234,336	234,336
5,106	-	-	-	5,106	5,106
43,434	-	-	-	43,434	43,434
577,364	-	-	82,354	495,010	495,010
2,177	-	-	-	2,177	2,177
252,284	-	-	66,843	185,441	185,441
$ 11,372,235	$ 1,521,431	$ 1,021,311	$ 2,751,590	$ 11,163,387	$ 11,163,387

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
FOR THE YEAR ENDED JUNE 30, 2016

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2015 only)			
1. Noncredit**	11.74	-	11.74
2. Credit	173.77	-	173.77
B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)			
1. Noncredit**	3.72	-	3.72
2. Credit	450.85	-	450.85
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	7,100.29	-	7,100.29
(b) Daily Census Contact Hours	215.02	-	215.02
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	497.79	-	497.79
(b) Credit	360.41	-	360.41
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	521.70	-	521.70
(b) Daily Census Contact Hours	197.15	-	197.15
D. Total FTES	9,532.44	-	9,532.44
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit**	441.04	-	441.04
2. Credit	362.03	-	362.03

** 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, 2016

		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	$ 11,914,369	$ -	$ 11,914,369	$ 11,914,369	$ -	$ 11,914,369
Other	1300	6,189,212	-	6,189,212	6,189,212	-	6,189,212
Total Instructional Salaries		18,103,581	-	18,103,581	18,103,581	-	18,103,581
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	3,728,736	-	3,728,736
Other	1400	-	-	-	230,641	-	230,641
Total Noninstructional Salaries		-	-	-	3,959,377	-	3,959,377
Total Academic Salaries		18,103,581	-	18,103,581	22,062,958	-	22,062,958
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	7,706,114	-	7,706,114
Other	2300	-	-	-	458,919	-	458,919
Total Noninstructional Salaries		-	-	-	8,165,033	-	8,165,033
Instructional Aides							
Regular Status	2200	436,864	-	436,864	436,864	-	436,864
Other	2400	269,213	-	269,213	269,213	-	269,213
Total Instructional Aides		706,077	-	706,077	706,077	-	706,077
Total Classified Salaries		706,077	-	706,077	8,871,110	-	8,871,110
Employee Benefits	3000	5,236,676	-	5,236,676	10,903,546	-	10,903,546
Supplies and Material	4000	-	-	-	874,358	-	874,358
Other Operating Expenses	5000	11,161	-	11,161	4,989,204	-	4,989,204
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		24,057,495	-	24,057,495	47,701,176	-	47,701,176

See accompanying note to supplementary information.

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2016

		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	$ 1,058,197	$ -	$ 1,058,197	$ 1,058,197	$ -	$ 1,058,197
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	35,345	-	35,345
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	663,949	-	663,949
Objects to Exclude							
Rents and Leases	5060	-	-	-	773,090	-	773,090
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	-	-	-	78,846	-	78,846
Total Supplies and Materials		-	-	-	78,846	-	78,846

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, 2016

		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	$ -	$ -	$ -	$ 1,307,958	$ -	$ 1,307,958
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		1,058,197	-	1,058,197	3,917,385	-	3,917,385
Total for ECS 84362, 50 Percent Law		$ 22,999,298	$ -	$ 22,999,298	$ 43,783,791	$ -	$ 43,783,791
Percent of CEE (Instructional Salary Cost/Total CEE)		52.53%		52.53%	100.00%		100.00%
50% of Current Expense of Education					$ 21,891,896		$ 21,891,896

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, 2016

Activity Classification	**Object Code**			**Unrestricted**	
EPA Proceeds:	8630				$ 8,137,022
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 8,137,022	-	-	$ 8,137,022
Total Expenditures for EPA		$ 8,137,022	-	-	$ 8,137,022
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, 2016

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

	Internal Service
FUND BALANCE	
Balance, June 30, 2016, (CCFS-311)	$ 1,316,812
Post closing adjustments	
Increase in:	
Accounts payable - prior years	(857,848)
Decrease in:	
Accounts payable - current year	14,784
Balance, June 30, 2016, Audited	$ 473,748

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, 2016

Amounts Reported in the Statement of Net Position are Different Because:		
Total Fund Balance - All District Funds		$ 40,473,977
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	$ 242,751,382	
Accumulated depreciation is	(46,256,602)	196,494,780
The Student Financial Aid Agency Fund is considered a major operating fund of the District and is therefore included in the Business Type financial statements.		94,696
Bond discounts 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.		34,403
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.		6,723,521
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		3,350,827
Deferred outflows (inflows) of resources related to pensions are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(2,813,224)
The net change in proportionate share of net pension liability as of the measurement date is not recognized on the modified accrual basis, but are recognized on the the accrual basis as an adjustment to pension expense.		466,610
The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		387,236
The changes of assumptions are not recognized as an expenditure under the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(922,951)
Net pension liability is not due and payable in the current period and is not reported as a liability in the funds.		(43,222,831)

See accompanying note to supplementary information.

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION, Continued
JUNE 30, 2016

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	$ 103,190,418	
Certificates of participation	2,860,000	
Capital leases payable	2,981,074	$ (109,031,492)
Total Net Position		**$ 92,035,552**

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

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 Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances (Governmental Funds and Fiduciary Funds Statements), and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of the unspent portion of the Medi-Cal Administrative Assistance program.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 22,108,818
Reconciling items:		
Medi-Cal Administrative Assistance	93.778	(22,880)
Total Schedule of Expenditures of Federal Awards		$ 22,085,938

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

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 AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of College of the Sequoias Community College District (the District) as of and for the year ended June 30, 2016, 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 27, 2016.

Internal Control Over Financial Reporting

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 27, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 the *OMB 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, 2016. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 27, 2016

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S 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 November 2015 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015. 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 opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion for Each of the Programs

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, 2016, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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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 429	Student Success and Support Program (SSSP)
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
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

The District did not participate in the Intersession Extension Program therefore the related compliance procedures were not required.

Additionally, no State bond funds were received or expended by the District during the year therefore the related compliance procedures were not required.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 27, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENTS

Type of auditor's 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 Federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No
Identification of major Federal programs:	

CFDA Number	Name of Federal Program or Cluster
84.063	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

STATE AWARDS

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

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

UNAUDITED SUPPLEMENTARY INFORMATION

GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2016

	General	Other Special Revenue	Bond Interest and Redemption
ASSETS			
Cash and cash equivalents	$ 17,259,755	$ 416,263	$ 17,100,353
Accounts receivable	1,979,665	73,989	34,143
Student loans receivable	3,035,787	-	-
Due from other funds	54,635	1,387	-
Prepaid expenses	405,370	-	-
Total Assets	$ 22,735,212	$ 491,639	$ 17,134,496
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	$ 3,943,286	$ 36,910	$ -
Due to other funds	82,170	16,122	-
Unearned revenue	6,083,166	-	-
Total Liabilities	10,108,622	53,032	-
Fund Balances			
Restricted	-	438,607	17,134,496
Unassigned	12,626,590	-	-
Total Fund Balance	12,626,590	438,607	17,134,496
Total Liabilities and Fund Balance	$ 22,735,212	$ 491,639	$ 17,134,496

See accompanying note to unaudited supplementary information.

Capital Outlay Projects	Revenue Bond Construction	Farm Construction	Total Governmental Fund (Memorandum Only)
$ 5,258,314	$ 693,891	$ 2,596,675	$ 43,325,251
-	-	-	2,087,797
-	-	-	3,035,787
77,489	-	604,142	737,653
-	-	-	405,370
$ 5,335,803	$ 693,891	$ 3,200,817	$ 49,591,858
$ 111,230	$ 1,995	$ 20,116	$ 4,113,537
-	-	1,284	99,576
807,672	-	-	6,890,838
918,902	1,995	21,400	11,103,951
4,416,901	691,896	3,179,417	25,861,317
-	-	-	12,626,590
4,416,901	691,896	3,179,417	38,487,907
$ 5,335,803	$ 693,891	$ 3,200,817	$ 49,591,858

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	General	Other Special Revenue	Bond Interest and Redemption
REVENUES			
Federal revenues	$ 2,465,843	$ -	$ -
State revenues	53,495,614	-	-
Local revenues	18,288,780	348,534	6,173,095
Total Revenues	74,250,237	348,534	6,173,095
EXPENDITURES			
Current Expenditures			
Academic salaries	24,180,613	137,040	-
Classified salaries	13,082,683	140,187	-
Employee benefits	14,422,103	74,126	-
Books and supplies	1,536,472	9,486	-
Services and operating expenditures	6,697,649	55,868	-
Student financial aid	787,161	12	-
Capital outlay	2,885,856	-	-
Debt service - principal	167,516	-	2,095,000
Debt service - interest and other issuance costs	233,092	-	3,027,100
Total Expenditures	63,993,145	416,719	5,122,100
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,257,092	(68,185)	1,050,995
OTHER FINANCING SOURCES (USES)			
Operating transfers in	131,353	-	-
Operating transfers out	(4,811,642)	-	-
Other sources	-	-	238,000
Total Other Financing Sources (Uses)	(4,680,289)	-	238,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	5,576,803	(68,185)	1,288,995
FUND BALANCE, BEGINNING OF YEAR	7,049,787	506,792	15,845,501
FUND BALANCE, END OF YEAR	$ 12,626,590	$ 438,607	$ 17,134,496

See accompanying note to unaudited supplementary information.

Capital Outlay Projects	Revenue Bond Construction	Farm Construction	Total Governmental Fund (Memorandum Only)
$ -	$ -	$ -	$ 2,465,843
1,463,592	-	-	54,959,206
287,764	43,338	30,022	25,171,533
1,751,356	43,338	30,022	82,596,582
-	-	-	24,317,653
-	-	-	13,222,870
-	-	-	14,496,229
-	1,374	-	1,547,332
617,710	1,210,063	-	8,581,290
-	-	-	787,173
3,392,966	582,511	60,874	6,922,207
-	5,276,844	-	7,539,360
-	243,156	-	3,503,348
4,010,676	7,313,948	60,874	80,917,462
(2,259,320)	(7,270,610)	(30,852)	1,679,120
3,200,000	-	23,317	3,354,670
-	-	(248,850)	(5,060,492)
2,078,004	3,707,465	-	6,023,469
5,278,004	3,707,465	(225,533)	4,317,647
3,018,684	(3,563,145)	(256,385)	5,996,767
1,398,217	4,255,041	3,435,802	32,491,140
$ 4,416,901	$ 691,896	$ 3,179,417	$ 38,487,907

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS
BALANCE SHEETS
JUNE 30, 2016

	Enterprise Funds				Internal Service Fund
	Bookstore	Cafeteria	Farm	Total	
ASSETS					
Cash and cash equivalents	$ -	$ 25,335	$ -	$ 25,335	$ 1,316,812
Investments	-	5,533	1,147,722	1,153,255	-
Accounts receivable	-	8,989	23,078	32,067	-
Due from other funds	-	-	4,578	4,578	-
Inventories	-	-	60,429	60,429	-
Note receivable	-	-	76,710	76,710	-
Furniture and equipment (net)	-	305,147	542,652	847,799	-
Total Assets	$ -	$ 345,004	$ 1,855,169	$ 2,200,173	$ 1,316,812
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	$ -	$ 2,115	$ 42,484	$ 44,599	$ 843,064
Due to other funds	29,808	8,543	604,142	642,493	-
Unearned revenue	-	-	759	759	-
Total Liabilities	29,808	10,658	647,385	687,851	843,064
Fund Equity					
Retained earnings	(29,808)	334,346	1,207,784	1,512,322	473,748
Total Liabilities and Fund Equity	$ -	$ 345,004	$ 1,855,169	$ 2,200,173	$ 1,316,812

See accompanying note to unaudited supplementary information.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds			
	Bookstore	**Cafeteria**	**Farm**	**Total**
OPERATING REVENUES				
Sales revenues	$ -	$ 705,887	$ -	$ 705,887
OPERATING EXPENSES				
Classified salaries	135	360,612	83,033	443,780
Employee benefits	-	-	25,690	25,690
Books and supplies	-	280,218	90,256	370,474
Services and other operating expenditures	-	50,542	547,973	598,515
Capital outlay	-	18,744	-	18,744
Total Operating Expenses	135	710,116	746,952	1,457,203
Operating Income/(Loss)	(135)	(4,229)	(746,952)	(751,316)
NONOPERATING REVENUES (EXPENSES)				
Interest income	-	70	4,763	4,833
Miscellaneous revenues	30,419	156,792	449,070	636,281
Operating transfers in	-	-	248,850	248,850
Operating transfers out	-	-	(23,317)	(23,317)
Other uses	-	-	-	-
Total Nonoperating Revenues (Expenses)	30,419	156,862	679,366	866,647
NET INCOME (LOSS)	30,284	152,633	(67,586)	115,331
RETAINED EARNINGS, BEGINNING OF YEAR	(60,092)	181,713	1,275,370	1,396,991
RETAINED EARNINGS, END OF YEAR	$ (29,808)	$ 334,346	$ 1,207,784	$ 1,512,322

See accompanying note to unaudited supplementary information.

Internal Service Fund
$ -
(14,784)
-
-
-
-
(14,784)
14,784
16,012
-
1,000,000
(22,188)
(1,000,000)
(6,176)
8,608
465,140
$ 473,748

FIDUCIARY FUNDS
BALANCE SHEETS
JUNE 30, 2016

	Agency Funds		
	Associated Students	Scholarship and Loan	Total Agency Funds
ASSETS			
Cash and cash equivalents	$ 570,687	$ 72,964	$ 643,651
Accounts receivable	82	19,866	19,948
Student loans receivable, net	-	-	-
Total Assets	$ 570,769	$ 92,830	$ 663,599
LIABILITIES AND NET POSITION			
Liabilities			
Accounts payable	$ 15,180	$ 120	$ 15,300
Due to other funds	162	-	162
Unearned revenue	129,040	-	129,040
Total Liabilities	144,382	120	144,502
Net Position			
Restricted	426,387	92,710	519,097
Total Net Position	426,387	92,710	519,097
Total Liabilities and Net Position	$ 570,769	$ 92,830	$ 663,599

See accompanying note to unaudited supplementary information.

Trust Funds	Total Fiduciary Funds
$ 1,234,970	$ 1,878,621
16,504	36,452
220,176	220,176
$ 1,471,650	$ 2,135,249
$ 1,470	$ 16,770
-	162
192,223	321,263
193,693	338,195
1,277,957	1,797,054
1,277,957	1,797,054
$ 1,471,650	$ 2,135,249

FIDUCIARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Agency Funds		
	Associated Students	Scholarship and Loan	Total Agency Funds
REVENUES			
Local revenues	$ 348,607	$ 311	$ 348,918
Total Revenues	348,607	311	348,918
EXPENDITURES			
Current Expenditures			
Classified salaries	63,785	-	63,785
Employee benefits	37,235	-	37,235
Books and supplies	163,333	-	163,333
Services and operating expenditures	1,047	-	1,047
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	265,400	-	265,400
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	83,207	311	83,518
OTHER FINANCING SOURCES (USES)			
Operating transfers in	67,655	-	67,655
Operating transfers out	(67,693)	-	(67,693)
Other uses	-	-	-
Total Other Financing Sources (Uses)	(38)	-	(38)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	83,169	311	83,480
NET POSITION, BEGINNING OF YEAR	343,218	92,399	435,617
NET POSITION, END OF YEAR	$ 426,387	$ 92,710	$ 519,097

See accompanying note to unaudited supplementary information.

Trust Funds	Total Fiduciary Funds
$ 409,941	$ 758,859
409,941	758,859
535	64,320
64	37,299
45,054	208,387
240,437	241,484
27,484	27,484
37,516	37,516
351,090	616,490
58,851	142,369
38	67,693
(15,000)	(82,693)
(500)	(500)
(15,462)	(15,500)
43,389	126,869
1,234,568	1,670,185
$ 1,277,957	$ 1,797,054

NOTE TO UNAUDITED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of the 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. The information is not a required component of the financial statements in accordance with GASB Statements No. 34 and No. 35 and is presented at the request of the District management.