College of the Sequoias Community College District

Annual Financial Report

June 30, 2017

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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, 2017, 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 2016-2017 *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, 2017, 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.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 to the financial statements, in 2017, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 11, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 67, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 68, and the Schedule of District Contributions on page 69, 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* (Uniform Guidance), 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 26, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 26, 2017

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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 2016-2017. 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 2016-2017 fiscal year, the District's actual resident FTES were comprised of 9,308.04 credit and Career Development and College Preparation (CDCP) non-credit FTES and 392.17 non-credit FTES for a total of 9,700.21 FTES, which was an increase from the prior year FTES. During the 2015-2016 fiscal year, the District's actual resident FTES were comprised of 9,091.02 credit and CDCP non-credit FTES and 339.26 non-credit FTES for a total of 9,430.28 FTES.
- The Hanford Educational Center generated 1,037.00 FTES, which was part of the District's 9,430.28 total FTES for 2016-2017.
- The Tulare College Center generated 1696.18 FTES, which was part of the District's 9,430.28 total FTES
- The District ended the year with a General Fund balance of $16.277 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 28.8 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. These costs amounted to 81.1 percent of the unrestricted general fund and 77.6 percent of the total general fund. 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 $23.068 million. This aid is provided through grants, loans from the Federal government and State System's Office, and local funding.
- The District refunded four different series of bonds from three different School Facilities Improvement Districts totaling $46 million, saving property tax payers over $12 million.
- The District contributed an additional $553,000 to its Other Post-Employment Benefits Trust fund, lowering its unfunded liability to $1.893 million.

Condensed financial information is as follows (in thousands):

NET POSITION
As of June 30, 2017 and 2016

	2017	2016	Change
ASSETS			
Current Assets			
Cash, investments, and short term receivables	$ 57,013	$ 51,193	$ 5,820
Inventory and prepaids	1,000	466	534
Total Current Assets	58,013	51,659	6,354
Non-Current Assets			
Other non-current assets	7,843	6,758	1,085
Capital assets, net of depreciation	193,846	197,342	(3,496)
Total Non-Current Assets	201,689	204,100	(2,411)
Total Assets	259,702	255,759	3,943
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	1,489	-	1,489
Deferred outflows of resources related to pensions	11,622	9,365	2,257
Total Deferred Outflows of Resources	13,111	9,365	3,746
LIABILITIES			
Current Liabilities			
Accounts payable	4,213	3,154	1,059
Unearned revenue	7,194	6,891	303
Long-term liabilites - current portion	3,946	2,965	981
Total Current Liabilites	15,353	13,010	2,343
Non-Current Liabilities			
Aggregate net pension liability	51,628	43,223	8,405
Long-term liabilites	109,233	107,959	1,274
Total Non-Current Liabilities	160,861	151,182	9,679
Total Liabilities	176,214	164,192	12,022
DEFERRED INFLOWS OF RESOURCES			
Deferred I nflows of resources related pensions	3,171	8,896	(5,725)
NET POSITION			
Net investment in capital assets	82,818	89,003	(6,185)
Restricted for expendable purposes	24,233	22,085	2,148
Unrestricted	(13,623)	(19,052)	5,429
Total Net Position	$ 93,428	$ 92,036	$ 1,392

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.

As of June 30, 2015, the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – and amendment of GASB No. 27, which required the district to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. As of June 30, 2017, the District reported Deferred Outflows from pension activities of $11,622 million. Deferred Inflows from pension activities of $3,171 million and a Net Pension Liability of $51,628 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, 2017 and 2016 (in thousands)

	2017	2016	Difference
OPERATING REVENUES			
Tuition and fees, net	$ 3,782	$ 3,974	$ (192)
Auxiliary sales and charges	1,441	1,155	286
Total Operating Revenues	5,223	5,129	94
OPERATING EXPENSES			
Salaries and benefits	57,839	51,259	6,580
Other expenses	37,510	36,971	539
Depreciation	6,139	6,057	82
Total Operating Expenses	101,488	94,287	7,201
NET LOSS ON OPERATIONS	(96,265)	(89,158)	(7,107)
NONOPERATING REVENUES AND (EXPENSES)			
State apportionments	38,050	36,748	1,302
Property taxes	20,483	19,222	1,261
Other state revenues/mandated cost reimbursements	2,665	6,712	(4,047)
Grants and contracts	38,512	35,504	3,008
Interest income	561	433	128
Interest expense	(12,135)	(5,826)	(6,309)
Other non-operating revenues	8,278	1,938	6,340
Total Nonoperating Revenues	96,414	94,731	1,683
OTHER REVENUES			
State revenues, capital	612	495	117
Local revenues, capital	631	262	369
Total Other Revenues	1,243	757	486
NET INCREASE (DECREASE) IN NET POSITION	$ 1,392	$ 6,330	$ (4,938)

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 $1,392 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, 2017

	Salaries	Employee Benefits	Supplies Material and Other Expenses and Services	Depreciation	Total
Instructional activities	$ 21,663,078	$ 6,072,402	$ 2,736,514	$ -	$ 30,471,994
Academic support	4,193,994	1,780,218	-	-	5,974,212
Student services	7,686,439	3,041,960	1,412,715	-	12,141,114
Plant operations and maintenance	1,825,322	1,013,889	4,290,077	-	7,129,288
Instructional support services	5,746,640	2,764,161	3,802,281	-	12,313,082
Community services and economic development	302,520	88,279	73,253	-	464,052
Ancillary services and auxiliary operations	1,251,353	408,463	893,324	-	2,553,140
Student Aid	-	-	23,433,895	-	23,433,895
Physical property and related acquisitions	-	-	868,447	-	868,447
Depreciation expense	-	-	-	6,138,663	6,138,663
Total	$ 42,669,346	$ 15,169,372	$ 37,510,506	$ 6,138,663	$ 101,487,887

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

Statement of Cash Flows for the Years Ended June 30, 2017 and 2016 (in thousands)

	2017	2016	Difference
CASH PROVIDED BY (USED IN)			
Operating activities	$ (90,204)	$ (83,017)	$ (7,187)
Noncapital financing activities	103,935	102,885	1,050
Capital financing activities	(7,609)	(10,079)	2,470
Investing activities	5	438	(433)
Net Increase (Decrease) in Cash and Cash Equivalents	$ 6,127	$ 10,227	$ (4,100)

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 2016-2017 allowed the State to continue recovery from the devastating cuts of fiscal 2009-2010 through fiscal year 2011-2012. Even though the state did not fund COLA, it made 2.67 percent Access Funding (Growth Funding) available to College of the Sequoias, and increased the District's base allocation by $680,000. The District adopted fiscal year 2016-2017 budget at zero Access (FTES growth) and zero COLA. College of the Sequoias settled negotiations with CSEA, COSTA, COSAFA, Management and Confidentials implementing an increase to benefits cap to cover 50 percent of the Health & Welfare annual increase for fiscal year 2016-2017 and a six percent salary increase. The salary increase was primarily paid for by FTES growth and the $637,836 adopted surplus.

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 christines@cos.edu.

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION – PRIMARY GOVERNMENT
JUNE 30, 2017

ASSETS	
Current Assets	
Cash and investments	$ 26,969,216
Restricted investments	25,089,215
Accounts receivable	1,805,581
Student loans receivable, net	3,149,280
Prepaid expenses	857,335
Inventories	71,107
Other current assets (note receivable)	72,073
Total Current Assets	58,013,807
Noncurrent Assets	
Unamortized discounts	32,592
Net Plan Asset - OPEB Trust	7,810,398
Nondepreciable capital assets	13,587,941
Depreciable capital assets	233,474,279
Less: Accumulated depreciation	(53,216,611)
Total Noncurrent Assets	201,688,599
TOTAL ASSETS	259,702,406
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	1,489,341
Deferred outflows of resources related to pensions	11,621,967
TOTAL DEFERRED OUTFLOWS OF RESOURCES	13,111,308
LIABILITIES	
Current Liabilities	
Accounts payable	4,213,337
Unearned revenue	7,193,803
Long-term liabilities, due within one year	3,946,395
Total Current Liabilities	15,353,535
Noncurrent Liabilities	
Compensated absences/banked leave	2,151,347
Aggregate net pension obligation	51,627,945
Long-term liabilities	107,081,447
Total Noncurrent Liabilities	160,860,739
TOTAL LIABILITIES	176,214,274
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	3,171,099
NET POSITION	
Net investment in capital assets	82,817,767
Restricted for:	
Debt service	17,639,805
Capital projects	6,131,241
Other activities	462,267
Unrestricted	(13,622,739)
TOTAL NET POSITION	$ 93,428,341

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, 2017

OPERATING REVENUES	
Tuition and Fees, net	$ 3,782,191
Auxiliary Sales and Charges	
Cafeteria	840,529
Farm	600,576
TOTAL OPERATING REVENUES	5,223,296
OPERATING EXPENSES	
Salaries	42,557,286
Employee benefits	15,281,432
Supplies, materials, and other operating expenses and services	37,510,506
Depreciation	6,138,663
TOTAL OPERATING EXPENSES	101,487,887
OPERATING LOSS	(96,264,591)
NON-OPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	38,049,694
Local property taxes, levied for general purposes	14,780,896
Taxes levied for other specific purposes	5,701,524
State taxes and other local revenues	2,665,253
Grants and Contracts, noncapital:	
Federal	21,342,203
State	17,170,024
Investment income	561,382
Interest expense on capital related debt	(12,134,731)
Transfer from agency fund	70,709
Transfer to agency fund	(84,212)
Other non-operating revenues	8,291,471
TOTAL NON-OPERATING REVENUES (EXPENSES)	96,414,213
INCOME (LOSS) BEFORE OTHER REVENUES	149,622
OTHER REVENUES	
State revenues, capital	612,092
Local revenues, capital	631,075
TOTAL OTHER REVENUES	1,243,167
CHANGE IN NET POSITION	1,392,789
NET POSITION, BEGINNING OF YEAR	92,035,552
NET POSITION, END OF YEAR	$ 93,428,341

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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 3,611,591
Payments to studends and vendors for finanacial aid, supplies and services	(37,346,657)
Payments to or on behalf of employees	(57,914,468)
Collection on notes receivable	4,637
Auxiliary enterprise sales and charges	1,441,105
Net Cash Flows Used In Operating Activities	(90,203,792)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	36,967,365
Noncapital grants and contracts	1,545,071
Property taxes - non debt related	14,780,896
State taxes and other apportionments	2,923,364
Other receipts	8,644,821
Noncapital grants received	38,512,227
Noncapital gifts and endowments received	561,380
Net Cash Flows From Noncapital Financing Activities	103,935,124
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(2,927,960)
Proceeds from capital debt	54,246,591
State revenue, capital projects	612,092
Local revenue, capital projects	631,073
Proceeds from sale/disposal of capital assets	1,978
Property taxes - related to capital debt	5,701,524
Principal paid on capital debt	(52,250,241)
Interest and cost of issuance paid on capital debt	(13,624,072)
Net Cash Flows Used In Capital Financing Activities	(7,609,015)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	4,637
Net Cash Flows From Investing Activities	4,637
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,126,954
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	45,931,477
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 52,058,431

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

STATEMENT OF CASH FLOWS – PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2017

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (96,264,591)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:	
Depreciation expense	6,138,663
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables	(112,949)
Note receivable	4,637
Inventories	(10,678)
Prepaid expenses and deferred charges	(450,154)
Accounts payable	2,087,620
Unearned revenue	(1,191,203)
Compensated absences, and early retirement	258,996
Deferred outlfows for related to pensions	(2,256,933)
Deferred inflows of resources related to pensions	(5,725,437)
Pension obligation	8,405,114
OPEB obligation	(1,086,877)
Total Adjustments	6,060,799
Net Cash Flows From Operating Activities	$ (90,203,792)
NON CASH TRANSACTIONS	
On behalf payments for benefits	$ 1,711,421

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

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	Agency Funds	Trust Funds
ASSETS		
Deposits and investments	$ 654,390	$ 1,217,798
Receivables	21,299	161
Student loans receivable, net	-	153,325
Total Assets	$ 675,689	$ 1,371,284
LIABILITIES		
Accounts payable	$ 27,739	$ 2,399
Unearned revenue	127,470	191,365
Total Liabilities	155,209	193,764
NET POSITION		
Restricted	$ 520,480	$ 1,177,520

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, 2017

	Agency Funds	Trust Funds
ADDITIONS		
Local revenues	$ 335,813	$ 405,219
DEDUCTIONS		
Current Expenditures		
Academic salaries		
Classified salaries	79,947	-
Employee benefits	38,409	-
Books and supplies	215,034	40,161
Services and operating expenditures	-	383,532
Capital outlay	-	3,000
Debt service - principal	-	28,736
Debt service - interest and other	-	36,264
Total Expenditures	333,390	491,693
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,423	(86,474)
OTHER FINANCING SOURCES (USES)		
Transfers from governmental funds	69,669	1,040
Transfers to governmental funds	(70,709)	(15,003)
Total Other Financing Sources (Uses)	(1,040)	(13,963)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	1,383	(100,437)
NET POSITION, BEGINNING OF YEAR	519,097	1,277,957
NET POSITION, END OF YEAR	$ 520,480	$ 1,177,520

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

DISCRETELY PRESENTED COMPONENT UNIT - COLLEGE OF THE SEQUOIAS FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS		
Current Assets:		
Cash and cash equivalents	$	588,167
Short-term investments		9,246,004
TOTAL CURRENT ASSETS		9,834,171
Noncurrent Assets:		
Nondepreciable capital assets		329,478
TOTAL ASSETS	$	10,163,649
NET ASSETS		
Unrestricted	$	7,906,795
Temporarily restricted		467,245
Permanently restricted		1,789,609
TOTAL NET ASSETS	$	10,163,649

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

DISCRETELY PRESENTED COMPONENT UNIT - COLLEGE OF THE SEQUOIAS FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS:				
Contributions				
General contributions	$ 517,322	$ -	$ 30,278	$ 547,600
Endowed scholarships	-	2,139	-	2,139
Outside scholarships	-	141,551	-	141,551
Inside scholarships	-	240,804	-	240,804
Revenues:				
Investment income	136,604	-	-	136,604
Fundraisers	269,199	-	-	269,199
Program fees	325,965	-	-	325,965
Unrealized gain on value of investments	701,493	-	-	701,493
Interest allocation to endowed scholarships	(71,580)	71,580	-	-
Net assets released from restrictions	468,965	(468,965)	-	-
Total Support and Revenue	2,347,968	(12,891)	30,278	2,365,355
EXPENSES:				
Scholarships:				
General contributions	245,613	-	-	245,613
Endowed scholarships	97,900	-	-	97,900
Outside scholarships	142,876	-	-	142,876
Inside scholarships	228,189	-	-	228,189
College enhancement	797,903	-	-	797,903
General administrative	261,284	-	-	261,284
Total Expenses	1,773,765	-	-	1,773,765
CHANGE IN NET ASSETS	574,203	(12,891)	30,278	591,590
NET ASSETS, BEGINNING OF YEAR	7,332,592	480,136	1,759,331	9,572,059
NET ASSETS, END OF YEAR	$ 7,906,795	$ 467,245	$ 1,789,609	$ 10,163,649

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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	591,590
Adjustments to reconcile net assets provided by operating activities:		
Draw on investment account		200,000
Unrealized (gain) on investments		(701,493)
Net Cash Provided by Operating Activities		90,097
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchaes of investments		(155,416)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(65,319)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		653,486
CASH AND CASH EQUIVALENTS, END OF YEAR	$	588,167

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.

Retiree Health Benefit OPEB Trust

The Retiree Health Benefit OPEB Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the Retiree Health Benefit Funding Program Joint Powers Agency (the JPA) as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California Government Code Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the Trust.

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. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. 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 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, 2017, 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 $2,309,704 for the fiscal year ending June 30, 2017. 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.

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.

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. The financial statements report $24,233,313 of restricted net position.

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 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 District has implemented the provisions of this Statement as of June 30, 2017.

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 District has implemented the provisions of this Statement as of June 30, 2017.

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 District has implemented the provisions of this Statement as of June 30, 2017.

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 District has implemented the provisions of this Statement as of June 30, 2017.

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 District has implemented the provisions of this Statement as of June 30, 2017, 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.

New Accounting Pronouncements

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 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 November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;

- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. 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, 2017, consist of the following:

Primary government	$ 52,058,431
Fiduciary funds	1,872,188
Total Deposits and Investments	$ 53,930,619

Cash on hand and in banks	$ 2,244,535
Cash in revolving	50,000
Cash with fiscal agent	20,000
Investments	51,616,084
Total Deposits and Investments	$ 53,930,619

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	$ 51,365,118	$ -	$ -	$ 51,365,118	$ -
State Investment Pool	167,000	167,000	-	-	-
Held by Trustee:					
GASB 45 Trust-Balanced Portfolio	8,037,194	8,037,194	-	-	-
Total	$ 59,569,312	$ 8,204,194	$ -	$ 51,365,118	$ -

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	$ 8,037,194

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, 2017, the District's bank balance of $2,058,558 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 $8,037,194, the District has a custodial credit risk exposure of $8,037,194 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, 2017, consisted of intergovernmental grants, entitlements, interest, and other local sources and are as follows:

	Primary Government	Fiduciary Funds	Total (Memorandum only)
Federal Government			
Categorical aid	$ 250,873	$ -	$ 250,873
State Government			
Categorical aid	746,455	-	746,455
Other state revenue	240,796	-	240,796
Local Sources	567,457	21,460	588,917
Subtotal	1,805,581	21,460	1,827,041
Student loans and grants receivable, net	3,149,280	153,325	3,302,605
Total	$ 4,954,861	$ 174,785	$ 5,129,646

NOTE 6 - PREPAID EXPENDITURES

Prepaid expenditures at June 30, 2017, consist of the following:

	Primary Government
Vendor payments	$ 857,335

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, are as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 11,314,803	$ -	$ -	$ 11,314,803
Construction in progress	2,556,458	1,581,853	1,865,173	2,273,138
Total Capital Assets Not Being Depreciated	13,871,261	1,581,853	1,865,173	13,587,941
Capital Assets Being Depreciated				
Land improvements	12,804,287	462,674	-	13,266,961
Buildings and improvements	207,761,542	1,805,523	3,567	209,563,498
Furniture and equipment	10,145,601	996,964	498,745	10,643,820
Total Capital Assets Being Depreciated	230,711,430	3,265,161	502,312	233,474,279
Total Capital Assets	244,582,691	4,847,014	2,367,485	247,062,220
Less Accumulated Depreciation				
Land improvements	4,947,130	557,937	-	5,505,067
Buildings and improvements	34,932,135	5,168,240	1,759	40,098,616
Furniture and equipment	7,360,847	750,656	498,575	7,612,928
Total Accumulated Depreciation	47,240,112	6,476,833	500,334	53,216,611
Net Capital Assests	$ 197,342,579	$ (1,629,819)	$ 1,867,151	$ 193,845,609

Depreciation expense for the year was $6,476,833. 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, 2017, consist of the following:

	Primary Government	Fiduciary Funds	Total (Memorandum only)
Vendor invoices	$ 1,488,888	$ 20,044	$ 1,508,932
State apportionment	1,587,429	-	1,587,429
Benefits	619,089	10,094	629,183
Deferred payroll	464,050	-	464,050
Food service	53,881	-	53,881
Total	$ 4,213,337	$ 30,138	$ 4,243,475

NOTE 9 - UNEARNED REVENUE

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

	Primary Government	Fiduciary Funds	Total (Memorandum only)
Federal financial assistance	$ 92,304	$ -	$ 92,304
State categorical aid	4,001,203	-	4,001,203
Student fees	2,567,934	318,835	2,886,769
Other local	532,362	-	532,362
Total	$ 7,193,803	$ 318,835	$ 7,512,638

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, except for the net amounts between them.

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, except for the net amounts between them.

NOTE 11 - LONG-TERM OBLIGATIONS

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
Certificates of participation 2004	$ 2,860,000	$ -	$ 105,000	$ 2,755,000	$ 110,000
General Obligation Bonds 2006, A (Hanford):					
Current interest	13,540,000	-	13,540,000	-	-
Capital appreciation	1,902,389	171,185	290,000	1,783,574	335,000
General Obligation Bonds 2008, B (Hanford):					
Current interest	3,645,000	-	355,000	3,290,000	385,000
Capital appreciation	4,171,920	307,187	-	4,479,107	-
General Obligation Bonds 2008, C (Hanford):					
Current interest - refunding	-	12,175,000	-	12,175,000	265,000
General Obligation Bonds 2008, A (Tulare):					
Current interest	14,205,000	-	14,205,000	-	-
Capital appreciation	6,357,426	606,415	725,000	6,238,841	785,000
General Obligation Bonds 2008, B (Tulare):					
Current interest	3,650,000	-	-	3,650,000	-
Capital appreciation	9,349,438	738,788	230,000	9,858,226	250,000
General Obligation Bonds 2008, C (Tulare):					
Current interest	1,425,000	-	-	1,425,000	-
Capital appreciation	2,411,322	167,364	-	2,578,686	-
General Obligation Bonds 2008, D (Tulare):					
Current interest	3,710,000	-	-	3,710,000	105,000
General Obligation Bonds 2008, E (Tulare):					
Current interest - refunding	-	14,015,000	-	14,015,000	305,000
General Obligation Bonds 2008, A (Visalia):					
Current interest	13,750,000	-	13,750,000	-	-
Capital appreciation	5,361,856	547,281	685,000	5,224,137	745,000
General Obligation Bonds, 2008, B (Visalia):					
Current interest	4,650,000	-	-	4,650,000	-
Capital appreciation	695,948	82,202	-	778,150	-
General Obligation Bonds 2008, C (Visalia):					
Current interest	3,755,000	-	3,755,000	-	-
Capital appreciation	2,038,802	109,673	1,151,696	996,779	20,000
General Obligation Bonds 2008, D (Visalia):					
Current interest - refunding	-	19,695,000	-	19,695,000	365,000
Unamortized premium on bonds	5,781,317	5,630,458	3,182,150	8,229,625	-
Lease Revenue Bonds, Series 2010A	2,790,000	-	100,000	2,690,000	100,000
Capital Leases-Solar Project	2,981,074	1,038	176,395	2,805,717	176,395
Total	$ 109,031,492	$ 54,246,591	$ 52,250,241	$ 111,027,842	$ 3,946,395
Accumulated vacation/banked leave - net	$ 1,892,351	$ 258,996	$ -	$ 2,151,347	$ -
Discounts	$ 34,403	$ -	$ 1,811	$ 32,592	$ -

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
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	130,000	108,538	238,538
2023-2027	750,000	443,889	1,193,889
2028-2032	955,000	247,238	1,202,238
2033-2034	450,000	32,300	482,300
Total	$ 2,755,000	$ 1,317,225	$ 4,072,225

Bonded Debt

The District's bonded debt is summarized as follows:

Year Issued	Campus	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2016	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2017
General obligation bonds:								
2006	Hanford	2/1/2033	3.58-4.25	$ 14,999,982	$ 15,442,389	$ 171,185	$ 13,830,000	$ 1,783,574
2008	Hanford	2/1/2034	1.85-6.99	6,995,778	7,816,920	307,187	355,000	7,769,107
2017	Hanford	8/1/2032	2.00-5.00	12,175,000	-	12,175,000	-	12,175,000
2008	Tulare	8/1/2033	2.4-6.36	19,998,219	20,562,426	606,415	14,930,000	6,238,841
2011	Tulare	8/1/2040	3.28-7.62	10,004,927	12,999,438	738,788	230,000	13,508,226
2013	Tulare	8/1/2042	2.09-5.20	3,401,460	3,836,322	167,364	-	4,003,686
2016	Tulare	8/1/2040	3.00-5.00	3,710,000	3,710,000	-	-	3,710,000
2017	Tulare	8/1/2032	3.00-5.00	14,015,000	-	14,015,000	-	14,015,000
2008	Visalia	8/1/2033	2.4-6.22	17,997,404	19,111,856	547,281	14,435,000	5,224,137
2010	Visalia	8/1/2039	5.1-6.610	4,999,652	5,345,948	82,202	-	5,428,150
2011	Visalia	8/1/2036	4.12-7.74	4,995,439	5,793,802	109,673	4,906,696	996,779
2017	Visalia	8/1/2036	3.00-5.00	19,695,000	-	19,695,000	-	19,695,000
Lease revenue bonds:								
2010	Hanford	6/1/2035	3.00-5.28	3,310,000	2,790,000	-	100,000	2,690,000
	Total				$ 97,409,101	$ 48,615,095	$ 48,786,696	$ 97,237,500

2006 Hanford Series A, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2018	$ 335,000	$ 335,000	$ -
2019	390,000	352,560	37,440
2020	440,000	359,568	80,432
2021	495,000	365,706	129,294
2022	555,000	370,740	184,260
Total	$ 2,215,000	$ 1,783,574	$ 431,426

2008 Hanford Series B, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
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	495,000	80,000	575,000
2023-2024	1,105,000	83,750	1,188,750
Total	$ 3,290,000	$ 672,801	$ 3,962,801

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	$ 2,039,232	$ 2,520,768
2033	2,205,000	791,154	1,413,846
2034	5,855,000	1,648,721	4,206,279
Total	$ 12,620,000	$ 4,479,107	$ 8,140,893

2008 Hanford Series C, Current Interest General Obligation Refunding Bonds:

Year Ending June 30,	Principal	Interest	Total
2018	$ 265,000	$ 69,168	$ 334,168
2019	25,000	524,500	549,500
2020	25,000	524,000	549,000
2021	25,000	523,500	548,500
2022	25,000	523,000	548,000
2023-2027	3,465,000	2,316,500	5,781,500
2028-2032	6,570,000	1,164,250	7,734,250
2033	1,775,000	53,250	1,828,250
Total	$ 12,175,000	$ 5,698,168	$ 17,873,168

2008 Tulare Series A, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2018	$ 785,000	$ 785,000	$ -
2019	845,000	762,866	82,134
2020	910,000	741,650	168,350
2021	975,000	717,405	257,595
2022	1,045,000	694,298	350,702
2023-2026	4,940,000	2,537,622	2,402,378
Total	$ 9,500,000	$ 6,238,841	$ 3,261,159

2008 Tulare Series B, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
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	385,000	153,225	538,225
2023-2027	595,000	653,807	1,248,807
2028-2032	2,035,000	367,112	2,402,112
Total	$ 3,650,000	$ 1,876,844	$ 5,526,844

2008 Tulare Series B, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2018	$ 250,000	$ 250,000	$ -
2019	270,000	240,300	29,700
2034-2037	11,880,000	2,702,224	9,177,776
Total	$ 12,400,000	$ 3,192,524	$ 9,207,476

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	$ 2,528,602	$ 10,208,837

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	$ 4,137,100	$ 1,362,900

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
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	60,000	58,975	118,975
2023-2027	235,000	264,075	499,075
2028-2032	90,000	221,288	311,288
2033-2037	-	212,500	212,500
2038-2042	-	212,500	212,500
2043	850,000	42,500	892,500
Total	$ 1,425,000	$ 1,260,238	$ 2,685,238

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	$ 786,822	$ 1,343,178
2042	4,920,000	1,791,864	3,128,136
Total	$ 7,050,000	$ 2,578,686	$ 4,471,314

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
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	70,000	120,400	190,400
2023-2027	485,000	540,750	1,025,750
2028-2032	800,000	401,800	1,201,800
2033-2037	960,000	261,300	1,221,300
2038-2041	1,115,000	89,338	1,204,338
Total	$ 3,710,000	$ 1,927,438	$ 5,637,438

2008 Tulare Series E, Current Interest General Obligation Refunding Bonds:

Year Ending June 30,	Principal	Interest	Total
2018	$ 305,000	$ 76,910	$ 381,910
2019	40,000	573,850	613,850
2020	40,000	571,850	611,850
2021	40,000	569,850	609,850
2022	45,000	567,850	612,850
2023-2027	1,670,000	2,805,500	4,475,500
2028-2032	9,655,000	1,555,800	11,210,800
2033	2,220,000	66,600	2,286,600
Total	$ 14,015,000	$ 6,788,210	$ 20,803,210

2008 Visalia Series A, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2018	$ 745,000	$ 745,000	$ -
2019	805,000	720,636	84,364
2020	865,000	693,211	171,789
2021	930,000	667,182	262,818
2022	995,000	638,989	356,011
2023-2025	3,420,000	1,759,119	1,660,881
Total	$ 7,760,000	$ 5,224,137	$ 2,535,863

2008 Visalia Series B, Current Interest General Obligation Bonds:

Year Ending June 30,	Principal	Interest	Total
2018	$ -	$ 232,500	$ 232,500
2019	-	232,500	232,500
2020	-	232,500	232,500
2021	-	232,500	232,500
2022	-	232,500	232,500
2023-2027	-	1,162,500	1,162,500
2028-2032	-	1,162,500	1,162,500
2033-2037	-	1,162,500	1,162,500
2038-2040	4,650,000	590,000	5,240,000
Total	$ 4,650,000	$ 5,240,000	$ 9,890,000

2008 Visalia Series B, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2034-2038	$ 5,820,000	$ 778,150	$ 5,041,850

2008 Visalia Series C, Capital Appreciation General Obligation Bonds:

Year Ending June 30,	Value at Maturity	Accreted Obligation	Interest to Accrete
2018	$ 20,000	$ 20,000	$ -
2019	35,000	31,150	3,850
2020	55,000	43,560	11,440
2021	70,000	49,350	20,650
2022	90,000	56,466	33,534
2023-2027	965,000	404,777	560,223
2028-2031	1,500,000	391,476	1,108,524
Total	$ 2,735,000	$ 996,779	$ 1,738,221

2008 Visalia Series D, Current Interest General Obligation Refunding Bonds:

Year Ending June 30,	Principal	Interest	Total
2018	$ 365,000	$ 100,680	$ 465,680
2019	55,000	752,919	807,919
2020	55,000	750,169	805,169
2021	60,000	747,419	807,419
2022	60,000	744,419	804,419
2023-2027	2,490,000	3,625,092	6,115,092
2028-2032	8,470,000	2,347,944	10,817,944
2033-2037	8,140,000	745,120	8,885,120
Total	$ 19,695,000	$ 9,813,762	$ 29,508,762

Lease Revenue Bonds

2010 Series A, Lease Revenue Bonds:

Year Ending June 30,	Principal	Interest	Total
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	120,000	111,425	231,425
2023-2027	670,000	473,587	1,143,587
2028-2032	855,000	292,430	1,147,430
2033-2035	615,000	64,063	679,063
Total	$ 2,690,000	$ 1,430,755	$ 4,120,755

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	$ 260,868
2006, Series C	Hanford	1,938,675
2008, Series A	Tulare	492,998
2008, Series B	Tulare	549,742
2008, Series D	Tulare	226,046
2008, Series E	Tulare	1,893,933
2008, Series A	Visalia	408,114
2008, Series B	Visalia	551,601
2008, Series C	Visalia	109,797
2008, Series D	Visalia	1,797,850
Total unamortized premium		$ 8,229,624

Savings Realized on Refundings:

	Hanford Ser. C	Tulare Ser. E	Visalia Ser. D
Prior Debt Service	$ 21,364,375	$ 24,137,456	$ 34,954,174
Refunding Debt Service	17,873,168	20,803,210	29,508,762
Savings	$ 3,491,207	$ 3,334,246	$ 5,445,412
PV Savings	$ 2,835,758	$ 2,601,208	$ 3,885,255
PV Rate used	2.484%	2.640%	2.870%

Capital Lease - Solar Project

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

Year Ending June 30,	Lease Payment
2018	$ 176,395
2019	176,395
2020	176,395
2021	176,395
2022	176,395
2023-2027	881,975
2028-2032	881,975
2033	159,792
Total	$ 2,805,717

Balance, July 1, 2016	$ 2,981,074
Additions	1,038
Payments	176,395
Balance, June 30, 2017	$ 2,805,717

Accumulated Unpaid Employee Compensation

The long-term portion of accumulated unpaid employee compensation and banked leave for the District at June 30, 2017, amounted to $2,151,347.

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 Joint Powers Agency administers the District's Postemployment Benefits Plan – a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees of the District. Financial information for the Retiree Health Benefits Joint Powers Agency can be obtained through the JPA at the Community College League of California at 2017 O Street, Sacramento, CA 95811.

The Retiree Health Benefits Funding Program Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Retiree Health Benefits Joint Powers Agency. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of approximately 83 retirees and beneficiaries currently receiving benefits and approximately 350 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 2016-2017, the District contributed $786,825 to the Plan, all of which was used for current premiums (approximately 68 percent of total premiums). The District made an additional contribution of $553,000 to the OPEB Trust. Plan members receiving benefits contributed $366,073, or approximately 32.0 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 OPEB Asset totaling $7,810,398 as of June 30, 2017. At June 30, 2017, the Trust held assets in the amount of $8,037,194, which consisted of deposits with U.S. Bank in the Retiree Health Benefits Funding Program JPA.

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	210,376
Adjustment to annual required contribution	457,677
Annual OPEB cost (expense)	(252,948)
Contributions made	1,339,825
Change in net OPEB asset	1,086,877
Net OPEB asset, beginning of year	6,723,521
Net OPEB asset, end of year	$ 7,810,398

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
2017	$ 252,948	$ 1,339,825	530%	$ 7,810,398
2016	1,016,210	1,914,975	188%	6,723,521
2015	774,011	1,226,406	158%	5,824,756

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)	Total OPEB Liability (TOL) Entry Age Normal (b)	Unfunded OPEB Liability (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
June 30, 2017	$ 8,037,194	$ 9,928,471	$ 1,891,277	81.0%	$ 36,000,000	5.3%

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of 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 June 30, 2017, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 6.3 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, 2017, was 28 years.

NOTE 13 - RISK MANAGEMENT

Health and Welfare

Employee health coverage benefits are covered by the Self-Insured Schools of California 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, 2017, 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, 2017, 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, 2017, 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	$ 31,812,928	$ 5,570,196	$ 2,396,046	$ 2,945,689
CalPERS	19,815,017	6,051,771	775,053	2,298,217
Total	$ 51,627,945	$ 11,621,967	$ 3,171,099	$ 5,243,906

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, 2015, 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, 2017, 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	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution 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, 2017, are presented above, and the District's total contributions were $2,858,226.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 31,812,928
State's proportionate share of the net pension liability associated with the District	18,110,532
Total	$ 49,923,460

The net pension liability was measured as of June 30, 2016. 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 college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2016 and June 30, 2015, was 0.0393 percent and 0.0419 percent, respectively, resulting in a net decrease in the proportionate share of 0.0026 percent.

For the year ended June 30, 2017, the District recognized pension expense of $2,945,689. In addition, the District recognized pension expense and revenue of $1,750,574 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,858,226	$ -
Net change in proportionate share of net pension liability	182,858	1,620,006
Difference between projected and actual earnings on pension plan investments	2,529,112	-
Differences between expected and actual experience in the measurement of the total pension liability	-	776,040
Total	$ 5,570,196	$ 2,396,046

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 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 of Resources
2018	$ 55,177
2019	55,177
2020	1,470,181
2021	948,577
Total	$ 2,529,112

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 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ (375,060)
2019	(375,060)
2020	(375,060)
2021	(375,060)
2022	(375,064)
Thereafter	(337,884)
Total	$ (2,213,188)

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

Valuation date	June 30, 2015
Measurement date	June 30, 2016
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%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

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%)	$ 45,785,978
Current discount rate (7.60%)	31,812,928
1% increase (8.60%)	20,207,725

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, 2015, annual actuarial valuation report, Schools Pool Actuarial Valuation. 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, 2017, 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	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

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, 2017, are presented above and the total District contributions were $1,962,936.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $19,815,017. The net pension liability was measured as of June 30, 2016. 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 college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2016 and June 30, 2015, was 0.1003 percent and 0.1019 percent, respectively, resulting in a net decrease in the proportionate share of 0.0016 percent.

For the year ended June 30, 2017, the District recognized pension expense of $2,298,217. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,962,936	$ -
Net change in proportionate share of net pension liability	161,946	179,730
Difference between projected and actual earnings on the pension plan investments	3,074,654	-
Differences between expected and actual experience in the measurement of the total pension liability	852,235	-
Changes of assumptions	-	595,323
Total	$ 6,051,771	$ 775,053

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 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 of Resources
2018	$ 431,262
2019	431,262
2020	1,409,674
2021	802,456
Total	$ 3,074,654

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
2018	$ 104,302
2019	97,969
2020	36,857
Total	$ 239,128

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

Valuation date	June 30, 2015
Measurement date	June 30, 2016
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 services

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%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

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%)	$ 29,564,116
Current discount rate (7.65%)	19,815,017
1% increase (8.65%)	11,696,974

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 year ended June 30, 2017,which amounted to $1,711,421 (8.828 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 year ended June 30, 2017. 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.

Accumulation Program for Part-Time and Limited-Service Employees Plan (APPLE)

Plan Description

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Accumulation Program for Part-time and Limited-service Employees (APPLE) Plan as its alternative plan.

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 2016-2017 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 Self-Insured Schools of California 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 Self-Insured Schools of California. 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, 2017, the District made payments of $569,056, $446,219, and $7,443,267, to the Tulare County Schools Insurance Group, Statewide Association of Community Colleges, and the Self-Insured Schools of California, 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, 2017.

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, 2017

Actuarial Valuation Date	Value of Assets (a)	Total OPEB Liability (TOL) - Entry Age Normal (b)	Unfunded OPEB Liability (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
June 30, 2017	$ 8,037,194	$ 9,928,471	$ 1,891,277	81.0%	$ 36,000,000	5.3%
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%

See accompanying note 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, 2017

	2017	2016
CalSTRS		
District's proportion of the net pension liability (asset)	0.0393%	0.0419%
District's proportionate share of the net pension liability (asset)	$ 31,812,928	$ 28,201,515
State's proportionate share of the net pension liability (asset) associated with the District	18,110,532	14,915,493
Total	$ 49,923,460	$ 43,117,008
District's covered - employee payroll	$ 20,511,705	$ 19,211,633
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	155.10%	146.79%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%
CalPERS		
District's proportion of the net pension liability (asset)	0.1003%	0.1019%
District's proportionate share of the net pension liability (asset)	$ 19,815,017	$ 15,021,316
District's covered - employee payroll	$ 9,706,431	$ 9,687,325
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	204.14%	155.06%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%

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

See accompanying note to required supplementary information.

2015
0.0415%
$ 24,273,400
14,657,327
$ 38,930,727
$ 18,895,418
128.46%
77%
0.0997%
$ 11,321,616
$ 9,094,691
124.49%
83%

SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
CalSTRS		
Contractually required contribution	$ 2,858,226	$ 2,200,906
Contributions in relation to the contractually required contribution	2,858,226	2,200,906
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 22,720,397	$ 20,511,705
Contributions as a percentage of covered - employee payroll	12.58%	10.73%
CalPERS		
Contractually required contribution	$ 1,962,936	$ 1,149,921
Contributions in relation to the contractually required contribution	1,962,936	1,149,921
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 14,134,044	$ 9,706,431
Contributions as a percentage of covered - employee payroll	13.888%	11.847%

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

See accompanying note to required supplementary information.

2015
$ 1,705,993
1,705,993
$ -
$ 19,211,633
8.88%
$ 1,140,295
1,140,295
$ -
$ 9,687,325
11.771%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

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.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes in Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

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.

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2017

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
Ms. Brissa Flores	Student Trustee (Fall)	2016
Ms. Daisy Beltran	Student Trustee (Spring)	2017

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, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION		
Student Financial Assistance Cluster:		
Supplemental Educational Opportunity Grants	84.007	$ 289,977
Supplemental Educational Opportunity Grants Administration	84.007	15,260
Federal Work Study	84.033	272,090
TANF 50% Federal Calworks	84.033	47,409
Federal Work Study Administration	84.033	16,466
Pell Grant	84.063	18,963,431
Pell Grant Administration	84.063	33,878
Total Student Financial Assistance Cluster		19,638,511
Title V - Higher Education Institutional Aid, Hispanic Serving Institute STEM/REALM	84.031S	300,151
TRIO Upward Bound Math/Science	84.047M	261,069
TRIO/SSS	84.047M	222,930
Math, Science, Engineering Improvement Program	84.120A	224,559
Vocational and Applied Technology Education Act (VTEA)		
Title II, Part C Student Support	84.048	382,397
Subtotal U.S. Department of Education		1,391,106
U.S. DEPARTMENT OF VETERAN AFFAIRS		
Veteran's Education	64.112	3,661
Subtotal U.S. Department of Veteran Affairs		3,661
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed Through the California Department of Education:		
Foster Care Education	93.658	148,227
Medi-Cal Administrative Activities	93.778	150,688
Subtotal U.S. Department of Health and Human Services		298,915
U.S. DEPARTMENT OF LABOR		
Workforce Investment Act	17.258	154,182
Subtotal U. S. Department of Labor		154,182
U.S. DEPARTMENT OF AGRICULTURE		
Schools and Roads Programs:		
Flood Control	10.665	230
Forest Reserve	10.665	6,286
Total Schools and Roads Programs		6,516
Subtotal U.S. Department of Agriculture		6,516
Total Federal Expenditures		$ 21,492,891

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
STATE PROJECTS			
BFAP Administration Allowance	$ 430,702	$ -	$ 430,702
Block Grant Instructional Materials	757,154	-	757,154
Basic Skills	149,735	107,843	257,578
Basic Skills Transformation	503,030	-	503,030
Cal Works	529,322	-	529,322
Cal Grant	2,537,367	-	2,537,367
CARE	226,442	-	226,442
Career Technical Education - Transitions	43,748	204	43,952
Disabled Students Programs and Services	1,161,972	-	1,161,972
Department of Rehabilitation Workability III	113,372	7,371	120,743
Economic Development DSN/CTE Health Service	300,000	96,249	396,249
Economic Development DSN/CTE Advanced Manufacturing	300,000	92,806	392,806
Economic Development IDRC Food Safety	400,000	-	400,000
Extended Opportunity Program and Services	1,251,350	-	1,251,350
Lottery Prop 20	464,092	728,029	1,192,121
Independent Living	22,500	2,104	24,604
Matriculation SSSP	3,281,374	868,330	4,149,704
Student Equity SEP	1,445,356	898,190	2,343,546
Part Time Faculty Office Hours	11,146	-	11,146
Part Time Faculty Parity	244,447	-	244,447
Staff Diversity	60,486	-	60,486
TANF 50% State	47,409	-	47,409
Scheduled Maintenance and Repair	757,155	82,354	839,509
YESS Transition Aged Foster Youth	4,250	1,573	5,823
AB86 Adult Ed Block Grant	253,998	66,843	320,841
Strong Workforce Regional #1	474,716	-	474,716
Strong Workforce Local #1	241,940	-	241,940
Total State Programs	$ 16,013,063	$ 2,951,896	$ 18,964,959

See accompanying note to supplementary information.

		Program Revenues			
Cash Received	Prior Year Carryforward	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
$ 430,702	$ -	$ -	$ -	$ 430,702	$ 430,702
757,154	-	-	125,659	631,495	631,495
149,735	107,144	-	140,881	115,998	115,998
599,970	-	-	275,752	324,218	324,218
529,322	-	202	-	529,524	529,524
2,537,367	-	-	-	2,537,367	2,537,367
226,442	-	-	-	226,442	226,442
32,463	-	11,285	-	43,748	43,748
1,161,972	-	-	-	1,161,972	1,161,972
104,723	-	8,025	-	112,748	112,748
36,249	-	250,763	-	287,012	287,012
20,000	16,782	266,965	-	303,747	303,747
160,000	-	-	867	159,133	159,133
1,251,350	-	-	-	1,251,350	1,251,350
262,776	728,030	201,316	885,328	306,794	306,794
16,560	-	5,939	-	22,499	22,499
3,281,374	868,329	-	909,251	3,240,452	3,240,452
1,445,356	898,190	-	488,433	1,855,113	1,855,113
11,146	-	-	-	11,146	11,146
244,447	-	-	-	244,447	244,447
60,486	-	-	50,057	10,429	10,429
47,409	-	-	-	47,409	47,409
757,155	-	-	145,064	612,091	612,091
2,550	-	1,530	-	4,080	4,080
255,556	66,843	-	123,318	199,081	199,081
-	-	430	-	430	430
999,157	-	-	856,593	142,564	142,564
$ 15,381,421	$ 2,685,318	$ 746,455	$ 4,001,203	$ 14,811,991	$ 14,811,991

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
FOR THE YEAR ENDED JUNE 30, 2017

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2016 only)			
1. Noncredit**	3.19	-	3.19
2. Credit	185.84	-	185.84
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)			
1. Noncredit**	4.65	-	4.65
2. Credit	397.98	-	397.98
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	7,245.59	-	7,245.59
(b) Daily Census Contact Hours	162.05	-	162.05
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	550.89	-	550.89
(b) Credit	416.94	-	416.94
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	556.13	-	556.13
(b) Daily Census Contact Hours	176.95	-	176.95
D. Total FTES	9,700.21	-	9,700.21
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit**	552.38	-	552.38
2. Credit	430.49	-	430.49

** 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, 2017

		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	$ 12,608,014	$ -	$ 12,608,014	$ 12,608,014	$ -	$ 12,608,014
Other	1300	6,683,031	-	6,683,031	6,683,031	-	6,683,031
Total Instructional Salaries		19,291,045	-	19,291,045	19,291,045	-	19,291,045
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	4,227,224	-	4,227,224
Other	1400	-	-	-	256,233	-	256,233
Total Noninstructional Salaries		-	-	-	4,483,457	-	4,483,457
Total Academic Salaries		19,291,045	-	19,291,045	23,774,502	-	23,774,502
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	8,759,765	-	8,759,765
Other	2300	-	-	-	397,310	-	397,310
Total Noninstructional Salaries		-	-	-	9,157,075	-	9,157,075
Instructional Aides							
Regular Status	2200	473,554	-	473,554	473,554	-	473,554
Other	2400	424,755	-	424,755	424,755	-	424,755
Total Instructional Aides		898,309	-	898,309	898,309	-	898,309
Total Classified Salaries		898,309	-	898,309	10,055,384	-	10,055,384
Employee Benefits	3000	5,580,893	-	5,580,893	11,240,440	-	11,240,440
Supplies and Material	4000	-	-	-	846,076	-	846,076
Other Operating Expenses	5000	88,350	-	88,350	5,211,155	-	5,211,155
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		25,858,597	-	25,858,597	51,127,557	-	51,127,557

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, 2017

		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	$ 625,341	$ -	$ 625,341	$ 625,341	$ -	$ 625,341
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	36,438	-	36,438
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	610,965	-	610,965
Objects to Exclude							
Rents and Leases	5060	-	-	-	896,310	-	896,310
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	-	-	-	86,169	-	86,169
Total Supplies and Materials		-	-	-	86,169	-	86,169

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, 2017

		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	$ -	$ -	$ -	$ 1,309,807	$ -	$ 1,309,807
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		625,341	-	625,341	3,565,030	-	3,565,030
Total for ECS 84362, 50 Percent Law		$ 25,233,256	$ -	$ 25,233,256	$ 47,562,527	$ -	$ 47,562,527
Percent of CEE (Instructional Salary Cost/Total CEE)		53.05%		53.05%	100.00%		100.00%
50% of Current Expense of Education					$ 23,781,264		$ 23,781,264

See accompanying note to supplementary information.

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT FOR THE YEAR ENDED JUNE 30, 2017

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				$ 8,023,986
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 8,023,986	-	-	$ 8,023,986
Total Expenditures for EPA		$ 8,023,986	-	-	$ 8,023,986
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, (CCFS-311)	$ 490,309
Post closing adjustments	
Increase in:	
Accounts payable	(10,510)
Balance, June 30, 2017, Audited	$ 479,799

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, 2017

Amounts Reported in the Statement of Net Position are Different Because:		
Total Fund Balance - All District Funds		$ 45,534,249
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	$ 244,873,370	
Accumulated depreciation is	(52,230,763)	192,642,607
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.		124,074
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.		32,592
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.		7,810,398
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		4,821,162
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.		(1,454,931)
The differences between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		5,603,766
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.		76,193
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.		(595,323)
Net pension liability is not due and payable in the current period and is not reported as a liability in the funds.		(51,627,945)

See accompanying note to supplementary information.

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION, Continued
JUNE 30, 2017

Deferred amounts on refunding (the difference between the reaquisition price of the net carrying amount of the refunded debt) are capitalized and amortized over the remaining life of the new or old debt, whichever is shorter.		$ 1,489,341
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable	$ 105,467,125	
Certificates of participation	2,755,000	
Capital leases payable	2,805,717	(111,027,842)
Total Net Position		**$ 93,428,341**

See accompanying note to supplementary information.

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 Medi-Cal Administrative Assistance program prior year revenues spent in the current year.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 21,342,203
Reconciling items:		
Medi-Cal Administrative Assistance	93.778	150,688
Total Schedule of Expenditures of Federal Awards		$ 21,492,891

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.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

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, 2017, 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 26, 2017.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 to the financial statements, in 2017, the District adopted new accounting guidance, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 26, 2017

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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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, 2017. 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, 2017.

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 26, 2017

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 March 2017 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2017.

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 March 2017.

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 March 2017. 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, 2017.

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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	Dual Enrollment of K-12 Students in Community College Credit Courses
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP)
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Proposition55 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 26, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017

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 Numbers	Name of Federal Program or Cluster
84.007, 84.033, 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?	Yes

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, 2017

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

UNAUDITED SUPPLEMENTARY INFORMATION

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2017

	General	Other Special Revenue	Bond Interest and Redemption
ASSETS			
Cash and cash equivalents	$ 22,095,703	$ 404,562	$ 17,600,461
Accounts receivable	1,682,914	36,577	39,344
Student loans receivable	3,149,280	-	-
Due from other funds	120,622	-	-
Prepaid expenses	857,335	-	-
Total Assets	$ 27,905,854	$ 441,139	$ 17,639,805
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	$ 4,884,774	$ 77,183	$ -
Due to other funds	8,000	25,763	-
Unearned revenue	6,736,438	-	-
Total Liabilities	11,629,212	102,946	-
Fund Balances			
Restricted	-	338,193	17,639,805
Unassigned	16,276,642	-	-
Total Fund Balance	16,276,642	338,193	17,639,805
Total Liabilities and Fund Balance	$ 27,905,854	$ 441,139	$ 17,639,805

See accompanying note to unaudited supplementary information.

Capital Outlay Projects	Revenue Bond Construction	Farm Construction	Total Governmental Fund (Memorandum Only)
$ 6,954,441	$ -	$ 2,607,620	$ 49,662,787
-	-	-	1,758,835
-	-	-	3,149,280
-	-	604,142	724,764
-	-	-	857,335
$ 6,954,441	$ -	$ 3,211,762	$ 56,153,001
$ 366,594	$ -	$ -	$ 5,328,551
-	-	-	33,763
456,606	-	-	7,193,044
823,200	-	-	12,555,358
6,131,241	-	3,211,762	27,321,001
-	-	-	16,276,642
6,131,241	-	3,211,762	43,597,643
$ 6,954,441	$ -	$ 3,211,762	$ 56,153,001

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	General	Other Special Revenue	Bond Interest and Redemption
REVENUES			
Federal revenues	$ 2,088,795	$ -	$ -
State revenues	54,114,926	-	-
Local revenues	20,898,832	363,835	5,884,913
Total Revenues	77,102,553	363,835	5,884,913
EXPENDITURES			
Current Expenditures			
Academic salaries	26,318,968	114,950	-
Classified salaries	15,468,044	186,344	-
Employee benefits	15,677,879	88,279	-
Books and supplies	1,782,782	21,918	-
Services and operating expenditures	6,956,814	49,926	-
Student financial aid	1,074,914	1,424	-
Capital outlay	2,840,060	1,408	-
Debt service - principal	352,659	-	48,686,696
Debt service - interest and other issuance costs	226,445	-	8,219,224
Total Expenditures	70,698,565	464,249	56,905,920
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,403,988	(100,414)	(51,021,007)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	33,179	-	-
Operating transfers out	(2,801,656)	-	-
Other sources	85,250	-	51,526,316
Other uses	(70,709)	-	-
Total Other Financing Sources (Uses)	(2,753,936)	-	51,526,316
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	3,650,052	(100,414)	505,309
FUND BALANCE, BEGINNING OF YEAR	12,626,590	438,607	17,134,496
FUND BALANCE, END OF YEAR	$ 16,276,642	$ 338,193	$ 17,639,805

See accompanying note to unaudited supplementary information.

Capital Outlay Projects	Revenue Bond Construction	Farm Construction	Total Governmental Fund (Memorandum Only)
$ -	$ -	$ -	$ 2,088,795
1,064,129	-	-	55,179,055
695,218	7,953	32,345	27,883,096
1,759,347	7,953	32,345	85,150,946
-	-	-	26,433,918
-	-	-	15,654,388
-	-	-	15,766,158
-	-	-	1,804,700
854,618	-	-	7,861,358
-	-	-	1,076,338
802,959	699,849	-	4,344,276
-	-	-	49,039,355
-	-	-	8,445,669
1,657,577	699,849	-	130,426,160
101,770	(691,896)	32,345	(45,275,214)
1,612,570	-	-	1,645,749
-	-	-	(2,801,656)
-	-	-	51,611,566
-	-	-	(70,709)
1,612,570	-	-	50,384,950
1,714,340	(691,896)	32,345	5,109,736
4,416,901	691,896	3,179,417	38,487,907
$ 6,131,241	$ -	$ 3,211,762	$ 43,597,643

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS
BALANCE SHEETS
JUNE 30, 2017

	Enterprise Funds				Internal Service Fund
	Bookstore	Cafeteria	Farm	Total	
ASSETS					
Cash and cash equivalents	$ -	$ 59,731	$ -	$ 59,731	$ 1,370,705
Investments	-	5,533	829,924	835,457	-
Accounts receivable	-	4,952	41,794	46,746	-
Due from other funds	-	8,000	-	8,000	-
Inventories	-	12,499	58,608	71,107	-
Note receivable	-	-	72,073	72,073	-
Furniture and equipment (net)	-	295,401	907,602	1,203,003	-
Total Assets	$ -	$ 386,116	$ 1,910,001	$ 2,296,117	$ 1,370,705
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	$ -	$ 68,379	$ 71,171	$ 139,550	$ 890,906
Due to other funds	28,655	66,204	604,142	699,001	-
Unearned revenue	-	-	759	759	-
Total Liabilities	28,655	134,583	676,072	839,310	890,906
Fund Equity					
Retained earnings	(28,655)	251,533	1,233,929	1,456,807	479,799
Total Liabilities and Fund Equity	$ -	$ 386,116	$ 1,910,001	$ 2,296,117	$ 1,370,705

See accompanying note to unaudited supplementary information.

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds			
	Bookstore	**Cafeteria**	**Farm**	**Total**
OPERATING REVENUES				
Sales revenues	$ -	$ 840,529	$ -	$ 840,529
OPERATING EXPENSES				
Salaries	18,897	313,268	88,973	421,138
Employee benefits	-	112,060	28,194	140,254
Books and supplies	-	435,701	50,996	486,697
Services and other operating expenditures	-	43,938	410,771	454,709
Depreciation	-	17,961	-	17,961
Total Operating Expenses	18,897	922,928	578,934	1,520,759
Operating Income/(Loss)	(18,897)	(82,399)	(578,934)	(680,230)
NONOPERATING REVENUES (EXPENSES)				
Interest income	-	79	4,503	4,582
Miscellaneous revenues	20,050	(493)	600,576	620,133
Operating transfers in	-	-	-	-
Other uses	-	-	-	-
Total Nonoperating Revenues (Expenses)	20,050	(414)	605,079	624,715
NET INCOME (LOSS)	1,153	(82,813)	26,145	(55,515)
RETAINED EARNINGS, BEGINNING OF YEAR	(29,808)	334,346	1,207,784	1,512,322
RETAINED EARNINGS, END OF YEAR	$ (28,655)	$ 251,533	$ 1,233,929	$ 1,456,807

See accompanying note to unaudited supplementary information.

Internal Service Fund
$ -
47,842
-
-
-
-
47,842
(47,842)
16,561
-
590,332
(553,000)
53,893
6,051
473,748
$ 479,799

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
BALANCE SHEETS
JUNE 30, 2017

	Agency Funds		
	Associated Students	Scholarship and Loan	Total Agency Funds
ASSETS			
Cash and cash equivalents	$ 580,362	$ 74,028	$ 654,390
Accounts receivable	2,138	19,161	21,299
Student loans receivable, net	-	-	-
Total Assets	$ 582,500	$ 93,189	$ 675,689
LIABILITIES AND NET POSITION			
Liabilities			
Accounts payable	$ 27,619	$ 120	$ 27,739
Unearned revenue	127,470	-	127,470
Total Liabilities	155,089	120	155,209
Net Position			
Restricted	427,411	93,069	520,480
Total Liabilities and Net Position	$ 582,500	$ 93,189	$ 675,689

See accompanying note to unaudited supplementary information.

Trust Funds		Total Fiduciary Funds	
$	1,217,798	$	1,872,188
	161		21,460
	153,325		153,325
$	1,371,284	$	2,046,973
$	2,399	$	30,138
	191,365		318,835
	193,764		348,973
	1,177,520		1,698,000
$	1,371,284	$	2,046,973

COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Agency Funds		
	Associated Students	Scholarship and Loan	Total Agency Funds
REVENUES			
Local revenues	$ 335,454	$ 359	$ 335,813
EXPENDITURES			
Current Expenditures			
Classified salaries	79,947	-	79,947
Employee benefits	38,409	-	38,409
Books and supplies	215,034	-	215,034
Services and operating expenditures	-	-	-
Capital outlay	-	-	-
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	333,390	-	333,390
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,064	359	2,423
OTHER FINANCING SOURCES (USES)			
Other sources	69,669	-	69,669
Other uses	(70,709)	-	(70,709)
Total Other Financing Sources (Uses)	(1,040)	-	(1,040)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,024	359	1,383
NET POSITION, BEGINNING OF YEAR	426,387	92,710	519,097
NET POSITION, END OF YEAR	$ 427,411	$ 93,069	$ 520,480

See accompanying note to unaudited supplementary information.

Trust Funds	Total Fiduciary Funds
$ 405,219	$ 741,032
-	79,947
-	38,409
40,161	255,195
383,532	383,532
3,000	3,000
28,736	28,736
36,264	36,264
491,693	825,083
(86,474)	(84,051)
1,040	70,709
(15,003)	(85,712)
(13,963)	(15,003)
(100,437)	(99,054)
1,277,957	1,797,054
$ 1,177,520	$ 1,698,000

NOTE TO UNAUDITED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

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.