WEST KERN
COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

WEST KERN COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

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

INDEPENDENT AUDITORS' REPORT

Board of Trustees
West Kern Community College District
Taft, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit, the Taft College Foundation (the Foundation) of West Kern Community College District (the District) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents. The financial statements of the District as of and for the year ended June 30, 2012, were audited by other auditors, whose report dated February 26, 2012, expressed an unqualified opinion.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Changes in Accounting Principles

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 62 for the year ended June 30, 2013. These changes require a restatement of the beginning net position of the District as discussed in Note 16. 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 12 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 53 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 supplementary information listed in the Table of Contents, including the Governmental Fund Financial Statements and the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 30, 2013

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Taft College/West Kern Community College District’s (the District) Annual Financial Report presents management’s discussion and analysis of the District’s financial activities and programs during the fiscal year just ended as well as the overall financial condition of the District at June 30, 2013. Since this management’s discussion and analysis is designed to focus on current activities, resulting change and currently known facts, please read it in conjunction with the District’s basic financial statements and the accompanying footnotes. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District’s management.

USING THIS ANNUAL REPORT

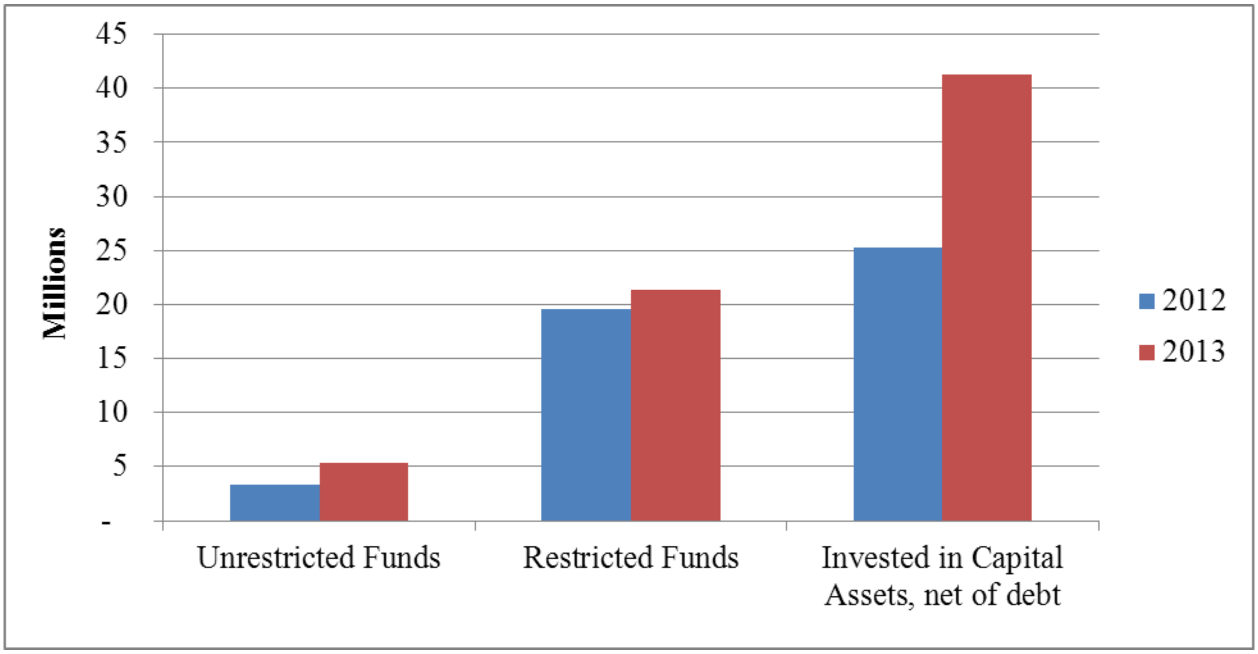
The current financial statement format, which incorporates GASB principles, consists of three basic financial statements that focus on the District as a whole: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. The District’s financial statements are designed to resemble corporate financial models whereby all District activities are consolidated into one set of totals. The focus of the Statement of Net Position is designed to be similar to bottom line results for the District and reflect its financial position at a certain date. This statement combines and consolidates current spendable financial resources with capital assets. The Statement of Revenues, Expenses and Changes in Net Position focuses on the gross costs and the net results of the District‘s operational activities which are supported mainly by student tuition and fees, as well as grants. Non-operating revenues such as property taxes and state apportionments make up the primary revenue source for the District. The Statement of Cash Flows provides an analysis of the District’s sources and uses of the cash during the fiscal year. This approach is intended to summarize and simplify the user’s analysis of costs of various District services to students and the public. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District’s financial activities in relation to its mission have been included.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The California Community College Chancellors Office (CCCCO) calculates total apportionment to be received by the District each year. The calculation consists of establishing a specified full time equivalency (FTE) level for the District and multiplying this total by predetermined amounts per FTE. Total apportionment payment consists of tuition fees, property taxes and state apportionment revenues. The District experienced a slight increase in total apportionment based on a system-wide workload reinstatement in funded FTE in 2012/13. With unemployment rates in the state and Kern County continuing to calculate higher than the national average and despite another round of tuition fee increases at the UC, CSU and California community college levels, enrollment for the District continues to perform above the funded apportionment rates. The District served a student population 234 FTE over the funded rate in 2012/13 and 303 FTE over funding in 2011/12. With the limited funding, the District was still able to focus on curriculum offerings based on basic skills, transfer and workforce training in order to maintain its growing population and ensure success within the guidance of the Educational Master Plan.

Due to the improving, but still fragile, State economy, the District received no cost of living adjustment (COLA) for the fifth straight year. Despite these funding challenges, as demonstrated by the statements and schedules included in the financial section of this report, the College continues to meet its responsibility for sound financial management.

Comparison of Net Position



Analysis of Net Position

The passage of Proposition 30 in November, 2012 has had a steadying effect on the funding for the California Community College system (The System). The System calculated funded FTE growth for the District at approximately 0.3% for 2012/2013. The 0.3% increase still placed the funded FTE levels at the second lowest level over the last 5 years, but it is viewed as a positive marker that they did not decrease. The System did not have any additional increases in enrollment fees in 2012/2013, after the $10 per unit increase in enrollment fees that was implemented beginning with the Summer 2012 term. This increase from $36 to $46 per unit represented a 24% percent growth in enrollment fees per unit. With the creation of the Education Protection Account (EPA), along with increase property tax receipts from Kern County, the District's deferrals of state apportionment funds decreased to $208,202 for 2012/2013 as compared to $1,782,767 in 2011/12. All of these factors led to an increase in the District's unrestricted funds of just over $2 million. Restricted Net Position experienced an increase of $1.8 million which was primarily created by the inclusion of the cash balances held in the Kern County Treasury to be used for debt obligations related to the 2004 Measure A general obligation bond issuances. The ongoing long-term campus improvements funded by the 2004 Measure A funding is evident in Invested in Capital Assets, net of debt. The Invested in Capital Assets grew by almost $16 million for the year just ended. Construction in progress additions along with revaluations mandated by the implementation of GASB 62 created the increase in the fund balance. The District did not incur any additional debt related to the long-term campus improvement construction occurring across campus in 2012/13.

Financial Position of the District 2013 Compared to 2012

	Net Position as of June 30, 2013	Net Position as of June 30, 2012	Increase (Decrease) 2013-2012
Current Assets	$ 67,270,000	$ 70,888,000	-5.1%
Non-current Assets			
Debt issuance costs, unamortized	1,897,000	1,943,000	-2.4%
Capital Assets, net of depreciation	75,612,000	54,130,000	39.7%
Other Long-term Assets	18,000	31,000	-41.9%
Total Assets	$ 144,797,000	$ 126,992,000	14.0%

	Net Position As of June 30, 2013	Net Position As of June 30, 2012	Increase (Decrease) 2013-2012
Current Liabilities	$ 7,994,000	$ 8,261,000	-3.2%
Non-Current Liabilities	68,804,000	70,598,000	-2.5%
Total Liabilities	76,798,000	78,859,000	-2.6%
Net Position			
Invested in Capital Assets, net of debt	41,240,000	25,251,000	63.3%
Restricted	21,368,000	19,603,000	9.0%
Unrestricted	5,391,000	3,279,000	64.4%
Total Net Position	67,999,000	48,133,000	41.3%
Total Liabilities and Net Position	$ 144,797,000	$ 126,992,000	14.0%

This statement is prepared from the District’s Statement of Net Position which is presented on the accrual basis of accounting where capital assets are depreciated and long-term obligations are recognized.

Analysis of Assets

The District's Current Assets were reduced by $-3.6 million due to budgeted usage of reserves for operations during the year just ended and payments to cover construction costs tied to campus improvements along with increasing amounts of scheduled payments being made on the District's long-term construction project financing. Non-current assets increased $21.4 million mainly by the combination of capital assets growing by $2.5 million, net of accumulated depreciation as the long-term construction project continued to improve the face of the campus, as well as the implementation of Governmental Accounting Standards Board (GASB) Statement No. 62. GASB No. 62 requires districts to record fixed asset interest as a period expense for both the construction and use phases. It creates a division in the way interest is recorded in the buying or building phase versus the use phase. Interest accrued in the construction phase cannot be tied directly to state funding. Instead, the interest costs incurred during the asset's construction or acquisition period should be added to the fixed asset cost. When the asset is complete and ready for use, interest payments are no longer capitalized, but are recorded as an expense. The interest paid in each period will then be matched through depreciation of the fixed asset for the period the asset is in use. GASB 62 required revaluation and restatement of the District's capital assets and subsequent accumulated depreciation related to the assets. The net effect on the restatement to the District's capital assets was a $10.7 million increase in the assets valuation for prior periods and another $4.2 million in current asset additions. Another $8.2 million in additions to non-depreciable capital assets increased the non-current asset valuation, of which $8.1 million was added to construction in progress, tied to current projects pending completion. A portion of the District's long-term investments was moved to current assets for construction project financing, reducing all of the capital asset gains of the non-current asset allocations by $-4.3 million.

Analysis of Capital Assets

As of June 30, 2013, the District recorded $99.9 million invested in capital assets, $24.3 million in accumulated depreciation, totaling $75.6 million recorded in net capital assets. In addition to these investments, the District also increased construction in progress (CIP) to a level of $19.7 million. The CIP represents the ongoing expenditures of the long-term capital improvement projects related to the District's Facilities Master Plan. As individual projects are completed, they are listed as capital assets and depreciated accordingly. In the year ended June 30, 2013, no projects were moved from CIP to capitalized assets. The Technical Arts building modernization project and the Transition to Independent Living Facility are scheduled to be moved to completed projects and become capital assets in the upcoming fiscal year ending June 30, 2014.

Analysis of Liabilities

Current liabilities decreased slightly for the year just ended. A large decrease in accounts payable balances offset increases in deferred revenues, compensated absence liabilities and other unapplied obligations at June 30, 2013 to create the $267 thousand decrease. Non-current liabilities decreased marginally during the year due to payments made on long-term debt obligations coupled with the fact that no new debt was issued for the year just ended.

FINANCIAL ACTIVITIES OF THE DISTRICT

	Activities Year ended June 30, 2013	Activities Year ended June 30, 2012	Increase (Decrease) 2013-2012
Operating Revenues			
Tuition and fees (less discounts)	$ 2,031,000	$ 1,899,000	7.0%
Total Operating Revenues	2,031,000	1,899,000	7.0%
Operating Expenses			
Salaries and Benefits	22,288,000	22,322,000	-0.2%
Supplies, Materials, Depreciation	11,598,000	10,496,000	10.5%
Total Operating Expenses	33,886,000	32,818,000	3.3%
Operating (Loss)	(31,855,000)	(30,919,000)	3.0%
Non-Operating Revenues (Expenses)			
State Apportionments and Property Taxes	15,855,000	18,626,000	-14.9%
Grants and Contracts	14,020,000	10,912,000	28.5%
Investments, Other Revenues (Expenses)	2,808,000	262,000	971.8%
Total Non-Operating Revenues (Expenses)	32,683,000	29,800,000	9.7%
Other Revenues (Expenses)	5,909,000	4,645,000	27.2%
Increase (Decrease) in Net Position	6,737,000	3,526,000	91.1%
Net Position, Beginning of Year, Restated	61,263,000	44,607,000	37.3%
Net Position, End of Year	$ 68,000,000	$ 48,133,000	41.3%

This statement is prepared from the District's Statement of Activities which is presented on the accrual basis of accounting, in which revenues and expenditures are recorded when incurred, regardless of the timing of the related cash flow.

Operating Results Fiscal Year 2013 Compared to 2012

Operating revenues reflect a slight increase due to the District's student tuition fee revenue recognition. 2012/13 reflects the results of a full year's results of receiving $46 per unit as compared to the prior year where $36 per unit was earned for the Summer 2012 semester. FTE attendance increased from 2,733 in 2011/2012 to 2,774 in 2012/2013, boosting revenues received.

Salaries decreased slightly in 2013 due to such factors as vacated positions by employee retirements being filled by new hires to the District, thus decreasing salary and benefit expenditures despite continued increases in benefit costs per employee for the District. Employee benefits continued their trend for material cost increases this year. District individual employee benefit costs increased by an average of 7% as compared to 2011/2012. The Other Post Employment Benefits (OPEB) obligation experienced a slight -2% decrease from $1.782 million to $1.744 million in the current year. This is a requirement mandated annually to comply with GASB 45 reporting standards. Other operating expenses experienced increases of $1.1 million tied to such items as an increase in depreciation due to additional items being capitalized in 2012/2013 and the timing of the capital improvement projects on the campus, increases in course offerings and the related expenditures tied to the these realignments. Projects such as the Technical Arts Building modernization and the Transition to Independent Living Facility were materially completed in the year just ended. Of these, only one the Transition to Independent Living Facility experienced major expenditures.

The District experienced several major changes in non-operating revenues in 2012/2013. The District faced a $-2.8 million decrease in state apportionments and property taxes combined compared to the prior year. This major non-operating revenue change was offset by a $2.7 million increase in federal revenues comprised materially of over $1.3 million of HSI grant revenues as well as increases in Perkins Grant funding. As the District's debt issuances mature and obligations are repaid, the effects on the District are also visible. The District received a $-3.3 million reduction in capital asset related interest expenses in 2012/2013.

FUNCTIONAL EXPENDITURE CALCULATIONS

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 classifications are as follows:

	Salaries and Benefits	Supplies, Material and Other Expenses and Services	Other Outgo	Depreciation	Total
Instructional activities	$ 8,772,066	$ 1,905,614	$ 483,013	$ -	$ 11,160,693
Academic support	1,586,497	157,668	29,701	-	1,773,866
Student services	3,712,548	534,652	189,185	-	4,436,385
Plant operations and maintenance	1,683,992	1,071,236	28,531	-	2,783,759
Instructional support services	2,202,269	575,830	122,568	-	2,900,667
Community Services and economic development	-	10,825	-	-	83,681
Ancillary services and auxiliary operations	4,258,062	4,112,056	1,836,055	-	10,206,173
Trust and agency activities	-	-	-	-	-
Depreciation expense-unallocated	-	-	-	2,565,588	2,565,588
	$ 22,288,290	$ 8,367,881	$ 2,689,053	$ 2,565,588	$ 35,910,812

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2012/2013

Capital Improvement Project

To date the District has issued all three series of bonds, for $39.8 million, which were originally approved by the residents of the West Kern Community College District in March 2004. The funds have been used for architectural work, licensing and permits and the acquisition and construction of swing space to be used as temporary housing of personnel and classrooms, as well as the main construction projects across the campus.

The District has completed several major projects to date. Completion of a new Child Development Center provides a permanent 9,400 square foot building that will support up to 75 children. It replaces portable buildings that were being used. It also serves as a base for future improvements to be focused around. The remodel of the Community Technology Center, complete as of December 2009 consists of the reconstruction of the current administration building and the addition of a new Library. In total the project provides a 45,000 square foot structure that houses the library, the learning resources center (LRC), the student services center, and administrative offices. The modernization of the Science building and the courtyard renovation between the science building and administration building projects were completed for use in the 2009/10 school year. The Science building project modernized approximately 11,000 square feet of classroom space used primarily for the instruction of science and math courses as well as adding offices within the building for the science and math faculty. The courtyard adds updated landscaping and revitalization of areas for students to use between classes. The most recently completed project was the modernization of the Tech Arts building. This project modernized approximately 10,000 square feet of classroom space used primarily for the instruction of Liberal Arts and Business courses.

The college broke ground on our Transition to Independent Living Facility for developmentally disabled individuals in summer 2011. This project will provide a 20,000 square foot live-in facility with offices and instructional space. Construction is scheduled to be completed in spring 2014. Also, dorm renovations of current facilities began in November, 2013 and a Student Center housing a new cafeteria, bookstore and student union is in the design phase.

ECONOMIC FACTORS AFFECTING THE FUTURE

Economic Condition

The College is located in the western Kern County community of Taft with a population of approximately 17,000. The surrounding area brings the total population to about 22,000. The community is in the heart of the Midway-Sunset oilfield, one of the nation’s best producing fields. While oil is the leading industry, the area is also rich in agriculture, light industry and recreation. West Kern Community College District (the District) contains 735 square miles and is composed of the Taft City, Midway, McKittrick, Elk Hills Elementary School Districts and the Maricopa Unified District. The District contains only one college campus, Taft College.

Prospects for the Future

Even with the passage of Proposition 30 in November 2012, the Colleges financial outlook for the future remains a challenge. California's financial landscape continues to force the state's education systems to increase focus in areas such as institutional efficiency while maintaining and improving student success. Federal unemployment improved to a rate of 7.0% as of November, 2013 as compared to 7.8% for November, 2012. Comparatively, California's rate dropped to 8.5% for December, 2013 compared to 9.8% in 2012. Unemployment rates in California continue to lag behind the national average, as has been the trend over the last few years. There is a direct correlation between unemployment rates and enrollment in higher education. Sustained high unemployment rates increase college enrollment demand as individuals look to advance and diversify their skills for future employment opportunities. Even with the passage of Proposition 30, concerns are still present as to how Taft College and the entire California Community College System will be able to continue to respond to this trend.

Although Taft College experienced a slight increase in attendance in 2012/13, it has experienced a very slight decline over the last 5 years due to decreasing course offering adjustments related to funding. For the first time since 2008/09, the College is in a position to respond to increasing course demands with additional classes due to the improving economic climate. The College has experienced full time equivalent declines (FTE) of almost -2.8% over the last two academic years due to the reduced funding challenges from the state, which is up from -7.2% for the previous 2 year comparison period, 2010–2012.

The following table illustrates enrollments over the last five years:

	2008/09	2009/10	2010/11	2011/12	2012/13
Enrollment	2,783	2,944	2,853	2,733	2,774
% Increase (Decrease)	11.95%	5.79%	(3.09%)	(4.21%)	1.48%

2009 – 2013 (5-year) Average Decrease in enrollment: (0.34%)

The College's long term educational and facilities master plans are focused on ensuring that the campus will continue to be able to meet the needs of its students now and in the future. The projected demographic changes in the area will mean continued growth and the facilities plan will enable Taft College to meet those needs. The plan involves a combination of constructing new buildings and modernizing the existing structures so that the College's resources can be maximized.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide a general overview of the West Kern Community College District's financial position and finances to the District's citizens, taxpayers, students and to all others who need this information. Questions concerning this report or requests for additional financial information should be directed to Brock McMurray, Executive Vice-President of Administrative Services/CFO or Jim Nicholas, CPA, Director of Business Services at Taft College, 29 Cougar Court, Taft, CA 93268.

WEST KERN COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2013 AND 2012

	2013 Governmental Activities	2012 Governmental Activities
ASSETS		
Current Assets:		
Unrestricted cash and investments	$ 10,674,285	$ 3,358,938
Restricted cash and cash equivalents	52,646,554	60,051,807
Accounts receivable	3,499,901	7,113,420
Inventory	287,160	240,441
Prepaid expenditures	162,126	123,423
Total current assets	67,270,026	70,888,029
Noncurrent Assets:		
Accounts receivable-long term	18,049	31,154
Debt issuance costs, unamortized	1,897,278	1,943,052
Nondepreciable capital assets	21,070,840	12,832,244
Depreciable capital assets	78,832,393	62,440,954
Accumulated depreciation	(24,292,042)	(21,143,516)
Total noncurrent assets	77,526,518	56,103,888
TOTAL ASSETS	144,796,544	126,991,917
LIABILITIES		
Current Liabilities:		
Accounts payable	1,615,989	2,392,689
Deferred revenue	2,349,133	2,318,302
Other current liabilities-unapplied payments	806,982	831,704
Long term debt-current portion	3,221,416	2,718,367
Total current liabilities	7,993,520	8,261,062
Noncurrent liabilities:		
Long term debt-noncurrent portion	68,804,555	70,597,614
TOTAL LIABILITIES	76,798,075	78,858,676
NET POSITION		
Invested in capital assets, net of related debt	41,239,742	25,250,909
Restricted:		
Debt service	14,968,042	12,575,768
Legally restricted	3,370,457	3,791,176
Other activities	3,029,138	3,236,146
Unrestricted	5,391,090	3,279,242
TOTAL NET POSITION	$ 67,998,469	$ 48,133,241

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

WEST KERN COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013 Governmental Activities	2012 Governmental Activities
OPERATING REVENUES		
Tuition and fees	$ 3,867,524	$ 3,488,653
Less: Scholarship discounts and allowances	(1,836,586)	(1,589,920)
Net tuition and fees	2,030,938	1,898,733
TOTAL OPERATING REVENUES	2,030,938	1,898,733
OPERATING EXPENSES		
Salaries	16,307,502	16,322,738
Employee benefits	5,980,788	5,998,781
Supplies, materials and other expenses	9,032,288	8,480,563
Depreciation	2,565,588	2,015,300
TOTAL OPERATING EXPENSES	33,886,166	32,817,382
OPERATING LOSS	(31,855,228)	(30,918,649)
NON-OPERATING REVENUES (EXPENSES)		
Grants and contracts, non-capital:		
Federal	8,216,851	5,509,627
State	4,333,305	5,186,057
Local	1,469,698	216,548
State apportionments, non-capital	3,142,394	5,302,721
Local property taxes	12,712,210	13,323,166
Local taxes, debt related	2,438,078	2,445,481
State taxes and other revenues	2,133,171	2,263,247
Investment income, capital	207,044	-
Investment income, non-capital	53,933	890,959
Interest expenses - capital asset related debt	(1,991,177)	(5,337,387)
Other non-operating revenues and expenditures	(33,469)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	32,682,038	29,800,419
INCOME/(LOSS) BEFORE OTHER REVENUES AND EXPENSES	826,810	(1,118,230)
State revenues, Capital	5,908,513	4,644,286
CHANGE IN NET POSITION	6,735,323	3,526,056
NET POSITION, BEGINNING OF YEAR, RESTATED	61,263,146	44,607,185
NET POSITION, END OF YEAR	$ 67,998,469	$ 48,133,241

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

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

	June 30, 2013	June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 1,818,729	$ 1,898,733
Payments to suppliers	(9,064,407)	(10,834,580)
Payments to/(on behalf of) employees	(22,474,070)	(22,321,519)
Other Operating Receipts/Payments	14,515	-
Net Cash Used by Operating Activities	(29,705,233)	(31,257,366)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Non-capital grants and contracts	13,871,398	10,912,232
State apportionments	5,612,002	5,302,721
Other nonoperating	(33,469)	-
Property taxes	15,150,288	13,323,166
State taxes and other apportionments	2,343,649	2,263,247
Net Cash Provided by Noncapital Financing Activities	36,943,868	31,801,366
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(12,780,026)	(6,817,603)
State revenue, capital projects	5,908,513	4,644,286
Property tax collections for debt obligations	2,438,078	2,445,481
Proceeds from issuance of debt	1,336,913	2,791,237
Principal paid on capital debt	(2,593,367)	(3,180,156)
Interest paid on capital debt	(1,991,177)	(5,337,387)
Deferred issuance costs and interest on capital related debt, net	45,774	95,456
Net Cash Used by Capital Financing Activities	(7,635,292)	(5,358,686)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	306,751	890,959
Net Cash Provided by Investing Activities	306,751	890,959
NET CHANGE IN CASH AND CASH EQUIVALENTS	(89,906)	(3,923,727)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	63,410,745	67,334,472
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 63,320,839	$ 63,410,745

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

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

	2013	2012
RECONCILIATION OF NET OPERATING REVENUES TO NET CASH USED BY OPERATING ACTUALS		
Operating loss	$ (31,855,228)	$ (30,918,649)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	2,565,588	2,015,300
Changes in assets and liabilities:		
(Increase)/decrease in accounts receivables	3,626,624	(3,122,570)
(Increase)/decrease in inventories	(46,719)	15,279
(Increase)/decrease in prepaids and deferred issuance costs	7,071	(92,697)
Increase/(decrease) in accounts payable and accrued liabilities	(4,033,400)	274,646
Increase in deferred revenue	30,831	571,325
Total Adjustments	2,149,995	(338,717)
Net Cash Used by Operating Activities	$ (29,705,233)	$ (31,257,366)

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

STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2013 AND 2012

	Student Body Fund	OPEB Trust	Total Fiduciary Funds
ASSETS			
Cash on hand and in banks	$ 128,581	$ -	$ 128,581
Investments	-	2,319,632	2,319,632
TOTAL ASSETS	$ 128,581	$ 2,319,632	$ 2,448,213
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to student groups	$ 128,581	$ -	$ 128,581
TOTAL LIABILITIES	128,581	-	128,581
FUND BALANCE - Restricted	-	2,319,632	2,319,632
TOTAL LIABILITIES AND FUND BALANCES	$ 128,581	$ 2,319,632	$ 2,448,213

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

WEST KERN COMMUNITY COLLEGE DISTRICT

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

	OPEB Trust
REVENUES	
Contributions	$ 574,571
Interest and dividends	71,409
Unrealized gain/(loss) of investments	119,812
TOTAL REVENUES	765,792
EXPENDITURES	
Services and other operating expenditures	67,438
TOTAL EXPENDITURES	67,438
EXCESS OF REVENUES OVER EXPENDITURES	698,354
FUND BALANCE, BEGINNING	1,621,278
FUND BALANCE, ENDING	$ 2,319,632

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

WEST KERN COMMUNITY COLLEGE DISTRICT

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

	2013 Foundation Fund	2012 Foundation Fund
ASSETS		
Cash on hand and in banks	$ 299,874	$ 420,809
Investments	1,407,577	1,317,002
Accounts receivable	78,845	54,610
TOTAL ASSETS	$ 1,786,296	$ 1,792,421
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 17,787	$ 8,900
Oil Worker Monument		98,257
TOTAL LIABILITIES	17,787	107,157
NET ASSETS	1,768,509	1,685,264
TOTAL LIABILITIES AND NET ASSETS	$ 1,786,296	$ 1,792,421

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

WEST KERN COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
TAFT COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013 Foundation Fund	2012 Foundation Fund
REVENUES		
Other income	$ 560,848	$ 565,220
TOTAL REVENUES	560,848	565,220
EXPENDITURES		
Services and other operating expenditures	477,603	244,225
TOTAL EXPENDITURES	477,603	244,225
EXCESS OF REVENUES OVER EXPENDITURES	83,245	320,995
NET CHANGE IN NET ASSETS	83,245	320,995
NET ASSETS, BEGINNING	1,685,264	1,364,269
NET ASSETS, ENDING	$ 1,768,509	$ 1,685,264

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

WEST KERN COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
TAFT COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	June 30, 2013	June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers	$ (587,521)	$ (365,706)
Other Operating Receipts/Payments	557,161	565,220
Net Cash Provided/(Used) by Operating Activities	(30,360)	199,514
NET CHANGE IN CASH AND CASH EQUIVALENTS	(30,360)	199,514
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,737,811	1,538,297
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,707,451	$ 1,737,811
RECONCILIATION OF NET OPERATING REVENUES TO NET CASH USED BY OPERATING ACTUALS		
Operating income	$ 83,245	$ 320,995
(Increase)/decrease in accounts receivables	(24,235)	235
Decrease in accounts payable and accrued liabilities	(89,370)	(121,716)
Total Adjustments	(113,605)	(121,481)
Net Cash Provided/(Used) by Operating Activities	$ (30,360)	$ 199,514

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

NOTE 1 - ORGANIZATION

West Kern Community College District (the District) was established in 1922 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees (the Board) form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college with one campus located within Kern County in the City of Taft. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

- Taft College Foundation

  The Taft College 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 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; however, significant note disclosures to the Foundation's financial statements have been incorporated into the District's notes to the financial statements.

Complete financial statements for the Foundation can be obtained from the Foundation's Business Office at 29 Emmons Park Drive, Taft, California.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's 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 and No. 38. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statements of Net Position - Primary Government
  - Statements of Revenues, Expenses, and Changes in Net Position - Primary Government
  - Statements of Cash Flows - Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statements of Fiduciary Net Position
    - Statements of Changes in Fiduciary Net Position
- 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 represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2013 and 2012, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

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

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. Management has analyzed these accounts and believes all amounts are fully collectable.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services or contracts that will benefit periods beyond June 30.

Inventories

Inventories consist primarily of bookstore merchandise and cafeteria food and supplies held for resale to the students and faculty of the colleges. Inventories are stated at cost, utilizing the first-in, first-out method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

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

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

Accrued Liabilities and Long-Term Obligations

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

Deferred Issuance Costs and Premiums

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

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid.

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. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Deferred Revenue

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

Noncurrent Liabilities

Noncurrent liabilities include bonds, certificates of participation, compensated absences, capital lease obligations, and OPEB obligations 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 of Investment in Capital Assets consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets – net of related debt.

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

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

Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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

State Apportionments

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

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. 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 County of Kern bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

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

Board of Governors Grants (BOGG) and Fee Waivers

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

Federal Financial Assistance Programs

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

On Behalf Payments

GASB Statement No. 24 requires direct on behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on behalf payments to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of all community colleges in California.

Estimates

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

Interfund Activity

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

Foundation Financial Statement Presentation

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

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

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

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

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

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

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

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

Changes in Accounting Principles

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

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

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

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

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

New Accounting Pronouncements

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

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

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

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

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

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

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

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

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

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

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

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

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

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

Comparative Financial Information

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section (ECS) 41001). The fair value of the District's investment in the pool is reported in the accompanying 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 statements 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 of the Primary Government as of June 30, 2013 and 2012, consist of the following:

	2013	2012
Cash on hand and in banks	$ 1,603,432	$ 2,827,867
Cash in revolving	13,219	15,415
Cash with fiscal agent	47,706	-
Investments	61,656,482	60,567,463
Total Deposits and Investments	$ 63,320,839	$ 63,410,745

Deposits and investments of the Fiduciary Funds as of June 30, 2013 and 2012, consist of the following:

	2013	2012
Cash on hand and in banks	$ 128,581	$ 100,945
Investments with fiscal agent	2,319,632	1,621,278
Total Deposits and Investments	$ 2,448,213	$ 1,722,223

Deposits and investments of the Foundation Funds as of June 30, 2013 and 2012, consist of the following:

	2013	2012
Cash on hand and in banks	$ 123,070	$ 420,809
Investments with fiscal agent	1,584,381	1,317,002
Total Deposits and Investments	$ 1,707,451	$ 1,737,811

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and ensuring the Pool is purchasing 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
Certificates of Deposit	$ 6,180,893	$ 784,973	$ 203,969	$ 5,191,951	$ -
Corporate Notes	12,344,894	1,975,183	3,209,672	4,937,958	2,222,081
County Pool	17,432,438	-	17,432,438	-	-
Mutual Funds	2,232,222	2,232,222	-	-	-
U.S. Treasuries	27,075,402	2,143,735	2,242,548	19,745,734	2,943,385
Money Market	150,518	150,518	-	-	-
Total	$ 65,416,367	$ 7,286,631	$ 23,088,627	$ 29,875,643	$ 5,165,466

Credit Risk

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

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End AAA	Aa	Unrated
Certificates of Deposit	$ 6,180,893	N/A	$ -	$ -	$ 6,180,893
Corporate Notes	12,344,894	N/A	-	11,852,119	492,776
County Pool	17,432,438	N/A	-	-	17,368,092
Mutual Funds	2,232,222	N/A	-	-	2,232,222
U.S. Treasuries	27,075,402	N/A	18,411,273	5,144,326	3,519,802
Money Market	150,518	N/A	-	-	150,518
Total	$ 65,416,367		$ 18,411,273	$ 16,996,445	$ 29,944,303

N/A - Not Applicable

Concentration of Credit Risk

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

Investment Type	Issuer	Reported Amount
Corporate Notes	Morgan Stanley	$ 4,678,252

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. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2013, the District's bank balance of $66,560 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in corporate notes of $12,344,894, the District has a custodial credit risk exposure of $4,678,252 because the related securities are uninsured, unregistered, and held by the brokerage firm which is also the counterparty for these securities.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government	
	2013	2012
Federal Government		
Categorical aid	$ 564,515	$ 215,013
State Government		
Apportionment	208,020	1,782,767
Categorical aid	321,038	264,125
Lottery	188,373	214,920
Other State sources	-	2,678,922
Local Sources		
Interest	20,064	23,602
Housing loan-long term receivable	18,049	31,154
Student receivables	2,126,835	1,848,500
Other local sources	71,056	85,571
Total	$ 3,517,950	$ 7,144,574

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Capital Assets Not Being Depreciated				
Land	$ 1,275,262	$ 94,000	$ -	$ 1,369,262
Construction in progress	11,556,982	8,144,596	-	19,701,578
Total Capital Assets Not Being Depreciated	12,832,244	8,238,596	-	21,070,840
Capital Assets Being Depreciated				
Land and building improvements	3,062,423	34,203	-	3,096,626
Buildings [1]	62,518,900	4,574,719	-	67,093,619
Furniture and equipment	8,128,260	513,888	-	8,642,148
Total Capital Assets Being Depreciated	73,709,583	5,122,810	-	78,832,393
Total Capital Assets	75,273,198	8,822,677	-	84,095,875
Less Accumulated Depreciation				
Land and building improvements	543,400	289,126	-	832,526
Buildings [1]	17,079,252	1,540,656	-	18,619,908
Furniture and equipment	4,103,802	735,806	-	4,839,608
Total Accumulated Depreciation	21,726,454	2,565,588	-	24,292,042
Net Capital Assets	$ 53,546,744	$ 6,257,089	$ -	$ 59,803,833

[1] Beginning balances were restated due to the implementation of GASB 62. See Note 16 for additional information.

Depreciation expense for the year was $2,565,588.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government	
	2013	2012
Vendors payable	$ 721,128	$ 2,392,689
Apportionment	894,861	-
Total	$ 1,615,989	$ 2,392,689

Discretely Presented Component Unit

The accounts payable of Foundation consist primarily of amounts owed to vendors for supplies and services.

NOTE 7 - DEFERRED REVENUE

Deferred revenue consisted of the following:

	Primary Government	
	2013	2012
Federal financial assistance	$ 1,964,372	$ 1,763,326
Enrollment fees	384,761	318,635
Other	-	236,341
Total	$ 2,349,133	$ 2,318,302

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES

On August 8, 2012, the District issued $3,865,000 of Tax and Revenue Anticipation Notes bearing interest at 0.37 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 28, 2013.

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
2012 0.37% TRANS	$ -	$ 3,865,000	$ 3,865,000	$ -

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

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

Interfund Operating Transfers

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

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2013 fiscal year consisted of the following:

	Balance Beginning of Year	Accreted Interest	Issued/ Additions	Deductions	Balance End of Year	Due in One Year
General obligation bonds:						
2004, Series A [1]	$ 1,919,057	$ -	$ -	$ 545,000	$ 1,374,057	$ 575,000
2005 Refunding - Current Interest	5,510,000	-	-	-	5,510,000	-
2005 Refunding - Capital Appreciation	3,584,474	386,372	-	940,000	3,030,846	975,000
2006 B - Current Interest	385,000	-	-	-	385,000	-
2006 B - Capital Appreciation	15,353,533	786,653	-	-	16,140,186	125,000
2007 C - Current Interest	11,235,000	-	-	-	11,235,000	-
2007 C - Capital Appreciation	1,435,456	163,888	-	225,000	1,374,344	130,000
Unamortized premium on bond issuances	2,706,117	-	-	142,722	2,563,395	142,722
Certificates of participation - 2008	28,930,000	-	-	725,000	28,205,000	750,000
Capital leases	26,075	-	-	15,645	10,430	10,430
Other postemployment benefit obligations	1,782,199	-	1,482,378	1,580,128	1,684,449	-
Compensated absences	449,070	-	64,194	-	513,264	513,264
Total Long-Term Obligations	$ 73,315,981	$ 1,336,913	$ 1,546,572	$ 4,173,495	$ 72,025,971	$ 3,221,416

[1] Principal and interest payments are being made through the Bank of New York by the Escrow Agent.

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund and the Debt Service Fund with local property tax revenues. Payments on the certificates of participation are paid by the Debt Service Fund. The capital leases are paid by the General Fund. The other postemployment benefit obligations are paid by the General Fund. The compensated absences are paid by the fund for which the employee worked.

Description of Debt

General Obligation Bonds

On March 2, 2004, the District issued bonds in the principal amount of $14,999,058 to be used for the purpose of financing college facilities improvements. The bonds were issued in two types: Current Interest Bonds in the sum of $14,800,000 and Capital Appreciation Bonds in the sum of $199,058.

On October 20, 2005, the District refinanced $12,841,051 of the Series A bond issuance through USB Financial Services, Inc. This amount refinanced all of the 2004 currently issued bonds with the exception of certain non-callable United States governmental obligations. This reduced the time period in which the bonds will be paid, thereby reducing the amount of interest to be paid by the taxpayers. In addition, this created an overall cash inflow to the District of $2,001,400.

On December 21, 2006, the District issued bonds in the principal amount of $12,500,856 to be used for the purpose of financing college facilities improvements. The bonds were issued in two types: Current Interest Bonds in the sum of $385,000 and Capital Appreciation Bonds in the sum of $12,115,856.

In October of 2007, the District issued bonds in the principal amount of $12,297,305 to be used for the purpose of financing college facilities improvements and expansion. The bonds were issued in two types: Current Interest Bonds in the sum of $11,235,000 and Capital Appreciation Bonds in the sum of $1,062,305. These bonds represent a general obligation of the District. The payment of principal and interest is to be funded by property taxes assessed on real property within the District.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2012	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2013
2004 [1]	11/1/2029	2-5.98%	$ 14,999,058	$ 1,919,057	$ -	$ 545,000	$ 1,374,057
2005	11/1/2018	3-5%	12,841,051	9,094,474	386,372	940,000	8,540,846
2006	11/1/2031	3.7-4.86%	12,500,856	15,738,533	786,653	-	16,525,186
2007	11/1/2032	3.6-4.68%	12,297,305	12,670,456	163,888	225,000	12,609,344
Total				$ 39,422,520	$ 1,336,913	$ 1,710,000	$ 39,049,433

[1] A portion of the original issuance was defeased with proceeds from the 2005 Refunding issuance.

2004 Issuance

The bonds mature through 2030 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2014	$ 575,000	$ 58,750	$ 633,750
2015	600,000	30,000	630,000
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019-2023	-	-	-
2024-2028	73,147	1,046,853	1,120,000
2029-2030	125,910	2,114,090	2,240,000
Total	$ 1,374,057	$ 3,249,693	$ 4,623,750

2005 Refunding - Current Interest

The bonds mature through 2019 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2014	$ -	$ 241,151	$ 241,151
2015	-	241,151	241,151
2016	-	241,150	241,150
2017	1,720,000	241,150	1,961,150
2018	1,830,000	172,350	2,002,350
2019	1,960,000	80,850	2,040,850
Total	$ 5,510,000	$ 1,217,802	$ 6,727,802

2005 Refunding - Capital Appreciation

The bonds mature through 2016 as follows:

Fiscal Year	Fully Accreted Amount	Long Term Debt Extended Obligation	Unaccreted Obligation
2014	$ 975,000	$ 919,620	$ 55,380
2015	1,015,000	852,194	162,806
2016	1,685,000	1,259,032	425,968
Total	$ 3,675,000	$ 3,030,846	$ 644,154

2006 B - Current Interest

The bonds mature through 2020 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2014	$ -	$ 17,325	$ 17,325
2015	-	17,325	17,325
2016	-	17,325	17,325
2017	-	17,325	17,325
2018	-	17,325	17,325
2019-2020	385,000	34,650	419,650
Total	$ 385,000	$ 121,275	$ 506,275

2006 B - Capital Appreciation

The bonds mature through 2032 as follows:

Fiscal Year	Fully Accreted Amount	Long Term Debt Extended Obligation	Unaccreted Obligation
2014	$ 125,000	$ 117,925	$ 7,075
2015	120,000	100,752	19,248
2016	115,000	85,928	29,072
2017	115,000	76,475	38,525
2018	110,000	65,098	44,902
2019-2023	8,745,000	5,889,337	2,855,663
2024-2028	11,065,000	6,186,047	4,878,953
2029-2032	8,275,000	3,618,624	4,656,376
Total	$ 28,670,000	$ 16,140,186	$ 12,529,814

2007 C - Current Interest

The bonds mature through 2033 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2014	$ -	$ 520,731	$ 520,731
2015	-	520,731	520,731
2016	-	520,731	520,731
2017	-	520,731	520,731
2018	-	520,731	520,731
2019-2023	250,000	2,603,655	2,853,655
2024-2028	3,135,000	2,308,921	5,443,921
2029-2033	7,850,000	1,424,379	9,274,379
Total	$ 11,235,000	$ 8,940,610	$ 20,175,610

2007 C - Capital Appreciation

The bonds mature through 2023 as follows:

Fiscal Year	Fully Accreted Amount	Long Term Debt Extended Obligation	Unaccreted Obligation
2014	$ 130,000	$ 122,642	$ 7,358
2015	160,000	134,336	25,664
2016	195,000	145,704	49,296
2017	225,000	149,625	75,375
2018	255,000	150,909	104,091
2019-2023	1,575,000	671,126	903,874
Total	$ 2,540,000	$ 1,374,342	$ 1,165,658

Certificates of Participation

The certificates mature through 2037 as follows:

2008 Issuance

Fiscal Year	Principal	Total [1]
2014	$ 750,000	$ 750,000
2015	780,000	780,000
2016	815,000	815,000
2017	845,000	845,000
2018	880,000	880,000
2019-2023	5,085,000	5,085,000
2024-2028	2,400,000	2,400,000
2029-2033	5,615,000	5,615,000
2034-2037	11,035,000	11,035,000
Total	$ 28,205,000	$ 28,205,000

[1] Interest due on the Certificates is based on the auction rate at the time of sale.

Capital Leases

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

Year Ending June 30,	Lease Payment
2014	$ 10,430
Present Value of Minimum Lease Payments	$ 10,430

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2013, was $1,357,624, and contributions made by the District during the year were $1,580,128. Interest on the net OPEB obligation was $124,754, which resulted in a decrease to the net OPEB obligation of $97,750. As of June 30, 2013, the net OPEB obligation was $1,684,449. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

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

Plan Description

The West Kern Community College District Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 71 retirees and beneficiaries currently receiving benefits and 170 active Plan members. The Plan is presented in these financial statements as the GASB 45 Trust. Separate financial statements are not prepared for the Trust.

Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2012-2013, the District contributed $1,580,128 to the Plan, of which $881,774 was used for current premiums. There were no required contributions by plan members.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), 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 following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 1,357,624
Interest on net OPEB obligation	124,754
Annual OPEB cost (expense)	1,482,378
Contributions:	
Premiums	881,774
Contributions to Trust	574,571
Interest earnings, net of expenses	123,783
Total contributions	1,580,128
Decrease in net OPEB obligation	(97,750)
Net OPEB obligation, July 1, 2012	1,782,199
Net OPEB obligation, June 30, 2013	$ 1,684,449

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	$ 1,482,378	$ 1,580,128	107%	$ 1,684,449
2012	$ 1,424,690	$ 1,364,848	96%	$ 1,782,199
2011	$ 1,424,690	$ 1,491,108	105%	$ 1,722,357

Funding Status and Funding Progress

The funded status of the OPEB Plan as of February 1, 2013, was as follows:

Actuarial Accrued Liability (AAL)	$ 19,133,009
Actuarial Value of Plan Assets	1,779,613
Unfunded Actuarial Accrued Liability (UAAL)	$ 17,353,396
Funded Ratio (Actuarial Value of Plan Assets/AAL)	9%
Covered Payroll	14,250,207
UAAL as Percentage of Covered Payroll	121.78%

The above noted actuarial accrued liability was based on the February 1, 2013, actuarial valuation. 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 February 1, 2013, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a seven 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 four percent. The cost trend rate used for the Dental and Vision Programs was also four percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2013, was 26 years. At February 1, 2013, the Trust held assets in the amount of $1,777,613.

NOTE 12 - RISK MANAGEMENT

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2013, the District contracted with the Self Insured Schools of California II (SISC II) Joint Powers Authority for property and liability insurance coverage, health and welfare benefits as well as workers compensation 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

For fiscal year 2012-2013, the District participated in the Self Insured Schools of California I (SISC I) Joint Powers Authority (JPA), 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 ensures 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.

Employee Medical Benefits

The District has contracted with Self Insured Schools of California III (SISC III) to provide employee medical benefits. SISC III is a shared risk pool comprised of members of participating districts in California. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of the claim's flow. The Board of Directors has the right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Active members are required to contribute 8.0 percent of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, were $585,107, $585,565, and $615,140, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for fiscal years ending June 30, 2013, 2012, and 2011, were $817,229, $764,036, and $735,595, respectively, and equaled 100 percent of the required contributions for each year.

Deferred Compensation

The District offers its employees a CalPERS administered 457 Deferred Compensation Program (the Program). The Program, available to all permanent employees, permits them to defer a portion of pre-tax salary into investment of an individual's own choosing until future years. The deferred compensation is not available to the employees or their beneficiaries until termination, retirement, death, or an unforeseeable emergency. The CalPERS Board controls the investment and administrative functions of the CalPERS 457 Deferred Compensation Program. The Board for the exclusive benefit of participating employees, which adds security, holds the assets in trust.

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Self Insured Schools of California (SISC) Joint Powers Authority JPA. The District pays annual premiums for its workers' compensation, health and welfare, and property/liability coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

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

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

During the year ended June 30, 2013, the District made payments of $149,101, $3,296,579, and $107,685 to SISC for its workers' compensation, health and welfare, and property/liability coverage, respectively.

NOTE 15 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

Litigation

The District is involved in various litigation arising from the normal course of business regarding certain construction projects. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2013.

Related Party Transactions

WESTEC

Taft Community College and WESTEC share administrative and other costs and are considered to be related parties. Certain data processing, administrative services, and purchases are performed on behalf of, or for Taft Community College by WESTEC. WESTEC also has a relation with Taft Community College in that the North Kern Training Center (NKTC) was purchased by Taft College. In turn, WESTEC maintains the center and incurs costs such as betterments and improvements. As is the case with WESTEC's original Taft facility, NKTC use charges are based on a per student per class fee payable to Taft College.

President Housing Assistance

The District and the prior President have entered into a loan agreement to assist the President in obtaining housing within the community. The loan amount totals $18,049 and is accruing interest on an annual basis currently at the interest rate of four percent. The agreement was entered into mutually by both parties to better serve the District by the President being a resident of the community in which he was serving. On December 13, 2012, the Governing Board approved a revised payment agreement. The payment schedule related to the $30,000 of the loan which will be paid off by December 31, 2015. The amount is reflected in accounts receivables.

Impounded Property Taxes

Each year several property tax assessments are protested. Accordingly, the District impounds monies in order to repay the assessments in the event the District should lose any of the protests.

Construction Commitments

As of June 30, 2013, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Technology Upgrade	$ 137,040	January 2014
Dorm Repairs	1,885,391	December 2014
Campus Center	10,338,546	June 2016
Total	$ 12,360,977	

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

NOTE 16 - RESTATEMENT OF PRIOR YEAR FUND BALANCES

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

Effective in fiscal year 2012-2013 with the implementation of GASB 62, the District was required to capitalize interest as part of the historical cost of constructing certain business-type activity assets. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the District by $10,685,691. This restatement does not affect the fund financial statements.

The beginning fund balance of the Bond Interest and Redemption Fund has been adjusted to reflect the cash on deposit with the Kern County Treasurer totaling $2,444,214 as of July 1, 2012, which reflect the local tax revenues collected in excess of amounts paid out on the District's General Obligation Bonds. The adjustment has also increased the District's beginning Net Position.

NOTE 17 - SUBSEQUENT EVENTS

The District issued $4,055,000 of Tax and Revenue Anticipation Notes dated July 17, 2013. The notes mature on June 30, 2014, and yield 0.28 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that the balance of principal and interest be deposited with the Fiscal Agent by June 25, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

WEST KERN COMMUNITY COLLEGE DISTRICT

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Estimated Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
February 1, 2013	$ 1,779,613	$ 19,133,009	$ 17,353,396	9.30%	$ 14,250,207	121.78%
February 1, 2011	$ 827,321	$ 19,542,306	$ 18,714,985	4.23%	$ 16,322,738	114.66%
May 1, 2010	$ 492,776	$ 14,460,596	$ 13,967,820	3.41%	$ 19,225,000	72.65%

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2013

The West Kern Community College District was established in 1922, and is comprised of an area of approximately 735 square miles located in Kern County, in the City of Taft. There were no changes in the boundaries of the District during the current year. The District's one college is accredited by the Western Association of Schools and Junior Colleges.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Billy White	President	2016
Kal Vaughn	Secretary	2016
Carolyn Hosking	Member	2014
Dawn Cole	Member	2014
Michael Long	Member	2014

ADMINISTRATION

Dena P. Maloney, Ed.D.	Superintendent/President
Mark Williams	Vice-President of Instruction
Brock McMurray	Vice-President of Student Services
Vacant	Vice-President of Administrative Services

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

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

FEDERAL PROGRAMS	CFDA Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through California Department Education:		
Child and Adult Care Food Program	10.558	$ 140,417
U.S. DEPARTMENT OF EDUCATION		
Direct Programs:		
HEOA - TPSID Grant	84.407A	514,685
TRIO Student Support Services Grant	84.042A	208,719
Student Financial Aids Cluster:		
SEOG	84.007	42,531
Federal Work Study	84.033	49,692
Pell Grants	84.063	4,033,236
Financial Aid Admin Allowance	84.063	5,081
Subtotal Student Financial Aid Cluster		4,130,540
Passed Through California Department of Education:		
Higher Education Institutional - CEED Grant	84.031S	594,208
Higher Education Institutional - QFS Grant	84.031S	678,502
Higher Education Institutional - Pathways Grant	84.031S	1,235,109
Career and Technical Education - Basic Grants	84.048	704,375
Subtotal U.S. Department of Education		8,066,138
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed Through California Department of Health Care Services:		
Medical Administrative Activities	93.778	10,296
Total Federal Programs		$ 8,216,851

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

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

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
GENERAL FUND			
Basic Skills	$ 90,000	$ -	$ 90,000
Cal Grant	227,419	-	227,419
Cal Works	117,060	-	117,060
Care	25,642	-	25,642
Child Development Center	1,554,220	-	1,554,220
Dent-Cal	8,479	-	8,479
Disable Student Program and Services	200,547	-	200,547
Extended Opportunity Program and Services	195,138	-	195,138
Lottery	368,312	-	368,312
Matriculation - Credit	393,283	-	393,283
Matriculation - Non-Credit	25,148	-	25,148
Other Categorical Allowances:			
Enrollment Fee Admin	39,596	-	39,596
Part-Time Faculty Allocation	52,365	-	52,365
Prop 10 Grant	1,307,211	-	1,307,211
Staff Development	3,921	-	3,921
Student Financial Aid Administration (SFAA)	150,034	-	150,034
Temporary Assistance to Needy Family (TANF) - State allocation	32,832	-	32,832
Total State Programs			

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
$ 90,000	$ -	$ -	$ 90,000	$ 79,455
227,419	-	-	227,419	227,419
117,060	-	-	117,060	117,060
25,642	-	-	25,642	25,642
1,554,220	-	-	1,554,220	1,554,220
4,853	3,626	-	8,479	8,479
200,547	-	-	200,547	200,547
195,138	-	-	195,138	195,138
179,939	188,373	-	368,312	368,312
393,283	-	-	393,283	393,283
25,148	-	-	25,148	25,148
39,596	-	-	39,596	39,596
52,365	-	-	52,365	52,365
989,799	317,412	-	1,307,211	1,307,211
3,921	-	-	3,921	3,921
150,034	-	-	150,034	150,034
32,832	-	-	32,832	32,832
$ 4,281,796	$ 509,411	$ -	$ 4,791,207	$ 4,780,662

WEST KERN COMMUNITY COLLEGE DISTRICT

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

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2011 only)			
1. Noncredit	1.53	-	1.53
2. Credit	93.08	-	93.08
B. Summer Intersession (Summer 2012 - Prior to July 1, 2012)			
1. Noncredit	-	-	-
2. Credit	183.95	-	183.95
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	1,135.23	-	1,135.23
(b) Daily Census Contact Hours	40.93	-	40.93
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	67.06	-	67.06
(b) Credit	232.69	-	232.69
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	596.12	-	596.12
(b) Daily Census Contact Hours	188.00	-	188.00
D. Total FTES	2,538.59	-	2,538.59
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	2.97	-	2.97
2. Credit	167.08	-	167.08

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

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

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 3,078,234	$ -	$ 3,078,234	$ 3,078,234	$ -	$ 3,078,234
Other	1300	1,854,804	-	1,854,804	1,854,804	-	1,854,804
Total Instructional Salaries		4,933,038	-	4,933,038	4,933,038	-	4,933,038
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	1,144,032	-	1,144,032
Other	1400	-	-	-	299,406	-	299,406
Total Noninstructional Salaries		-	-	-	1,443,438	-	1,443,438
Total Academic Salaries		4,933,038	-	4,933,038	6,376,476	-	6,376,476
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	2,810,967	-	2,810,967
Other	2300	-	-	-	224,307	-	224,307
Total Noninstructional Salaries		-	-	-	3,035,274	-	3,035,274
Instructional Aides							
Regular Status	2200	134,953	-	134,953	134,953	-	134,953
Other	2400	31,707	-	31,707	31,707	-	31,707
Total Instructional Aides		166,660	-	166,660	166,660	-	166,660
Total Classified Salaries		166,660	-	166,660	3,201,934	-	3,201,934
Employee Benefits	3000	1769687	-	1,769,687	3,693,079	-	3,693,079
Supplies and Material	4000	-	-	-	319,331	-	319,331
Other Operating Expenses	5000	1,236,638	-	1,236,638	2,942,658	-	2,942,658
Equipment Replacement	6420	-	-	-	79,157	-	79,157
Total Expenditures Prior to Exclusions		8,106,023	-	8,106,023	16,612,635	-	16,612,635

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

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

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ -	$ -	$ -	$ -	$ -	$ -
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	9,959	-	9,959
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	191,038	-	191,038
Objects to Exclude							
Rents and Leases	5060	-	-	-	65,011	-	65,011
Lottery Expenditures					-		-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	861	-	861
Books, Magazines, and Periodicals	4200	-	-	-	7,633	-	7,633
Instructional Supplies and Materials	4300	-	-	-	95,334	-	95,334
Noninstructional Supplies and Materials	4400	-	-	-	327	-	327
Total Supplies and Materials		-	-	-	104,155	-	104,155

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

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

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 118,786	$ -	$ 118,786
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	2,477	-	2,477
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	15,861	-	15,861
Total Equipment		-	-	-	18,338	-	18,338
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	507,287	-	507,287
Total for ECS 84362, 50 Percent Law		$ 8,106,023	$ -	$ 8,106,023	$ 16,105,348	$ -	$ 16,105,348
Percent of CEE (Instructional Salary Cost/Total CEE)		50.33%		50.33%	100.00%		100.00%
50% of Current Expense of Education					$ 8,052,674		$ 8,052,674

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

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

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				$ 3,208,653
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 3,208,653			$ 3,208,653
					-
					-
					-
					-
					-
					-
Total Expenditures for EPA		$ 3,208,653	-	-	$ 3,208,653
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

	General Fund-Restricted	Parking Fund	Debt Service Fund	Restricted Purpose Fund
FUND BALANCE				
Balance, June 30, 2013, (CCFS-311)	$ 3,390,744	$ -	$ 34,177,635	$ -
Post closing adjustments				
Increase/(Decrease) in:				
Cash in county treasury	-	68,842	(17,972,853)	17,972,853
Accounts receivable	-	78	(22)	23
Due from other funds	-	-	(4,359,689)	4,359,689
(Increase)/Decrease in:				
Due to other funds	-	(463)	700,000	(700,000)
Deferred revenue	(20,287)	-	-	-
Balance, June 30, 2013, Audited	$ 3,370,457	$ 68,457	$ 12,545,071	$ 21,632,565

	Bond Interest and Redemption Fund	Revenue Bond Construction Fund	Impounds Fund
FUND BALANCE			
Balance, June 30, 2013, (CCFS-311)	$ -	$ 14,054,305	$ -
Post closing adjustments			
Increase in:			
Cash in county treasury	2,422,971	-	2,023,324
Decrease in:			
Accounts payable	-	29,954	-
Balance, June 30, 2013, Audited	$ 2,422,971	$ 14,084,259	$ 2,023,324

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

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

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Total Fund Balance - All District Funds		**$ 62,002,708**
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	$ 99,903,233	
Accumulated depreciation is	(24,292,042)	75,611,191
Expenditures relating to issuance of debt are not recognized in modified accrual basis, but should be recognized in the accrual basis as prepaid expenditures.		1,897,278
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as obligations in the funds. The compensated absences balance is reported in long-term obligations however, they are already reflected in the operating funds.		
Long-term obligations, excluding compensated absences, at year end consist of:		
Bonds payable	41,612,829	
Certificates of Participation	28,205,000	
Capital leases payable	10,430	
OPEB-GASB 45	1,684,449	(71,512,708)
Total Net Position		**$ 67,998,469**

See accompanying note to supplementary information.

NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2013

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

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

Schedule of Expenditures of State Awards

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

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

FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

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

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

Proposition 30 Education Protection Act (EPA) Expenditure Report

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

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

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

INDEPENDENT AUDITORS' REPORTS

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

VALUE THE DIFFERENCE

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

Board of Trustees
West Kern Community College District
Taft, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of West Kern Community College District (the District) and its discretely presented component unit as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 30, 2013. The financial statements of the District as of and for the year ended June 30, 2012, were audited by other auditors, whose report dated February 26, 2012, expressed an unqualified opinion.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompany Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies as items 2013-1 and 2013-2.

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Compliance and Other Matters

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

West Kern Community District's Responses to the Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 30, 2013

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

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

Board of Trustees
West Kern Community College District
Taft, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

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Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 30, 2013

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
West Kern Community College District
Taft, California

Report on State Compliance

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of each of the District's programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion

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

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 431	Gann Limit Calculation
Section 433	CalWORKS
Section 435	Open Enrollment
Section 437	Student Fees – Instructional and Other Materials
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

The District had no projects funded by Proposition 1D State School Bond proceeds, therefore, the compliance testing is not applicable.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 30, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

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

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.063	Student Financial Aid Cluster
84.031S	Higher Education Institutional Grants
84.048	Career and Technical Education-Basic Grant

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

STATE AWARDS

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

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

The following findings represent significant deficiencies related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2013-1 Financial Reporting – Significant Deficiency

The District has historically not been able to prepare for the annual audit in a timely and complete manner which delayed the issuance of the audit report. Multiple reasons, including the implementation into a new general ledger package and the lack of knowledgeable support staff, and administrative turn-over, were mainly responsible for the situation. The District has improved over the last several years, however, difficulties were still experienced.

Some of the difficulties noted during our audit included the following:

- During our audit, we noted that the District's Banner general ledger system and the chart of accounts had some limitations in maintaining and reporting detailed information necessary in order to prepare the District's financial statements and complete the audit process. We believe the District's management would benefit from an expanded and more clarified general ledger and chart of accounts structure and also a reporting system that could group the individual account codes into reporting sub-groups.

- We noted some bank and investment accounts maintained by the District in which the transactions related to such accounts were not reported and kept track of in Banner. The District has incorporated more accounts into the general ledger system as in the past but several remain off of the system. Additionally, the District had not historically reported the activities and ending balances associated with its Bond Interest and Redemption Fund.

- We noted that the activities and transactions related to some of the Debt Service funds, Associated Students Body fund, and OPEB trust fund was not recorded in Banner. Instead of reporting the activities related to those funds within Banner, the District's accounting department keeps track of the activities manually in excel spreadsheets.

- The District continues to have difficulty in preparing the Schedules of Federal and State Awards in an accurate manner that agrees back to the revenue balances in the general ledger. The reporting has improved over the past few years.

- The District was not prepared for the scheduled final audit visit which severely delayed many of the required audit procedures. The visit is scheduled well in advance and detailed listings are sent out outlining what information is required to be ready and waiting upon the audit team's arrival. The scheduled audit period is critical to utilize for the audit client we are performing during that time. It is very difficult to find sufficient time outside of this scheduled time to review and audit information that was obtained after we had left the college.

Recommendation

In order to improve the audit process and accuracy of the financial reporting, the following recommendations should be reviewed:

- We recommend that the management continue to modify the District's chart of accounts to expand and clarify certain accounts to be suitable for the District's financial reporting needs. We also believe a report writing program may benefit the district in order to group individual accounts into their financial reporting groups. The groupings would include those needed for the State reports as well as the annual audit report.

- We strongly recommend that the District record all of its activity and accounts through the general ledger and such "statement adjustments" be kept at a minimum. This will ensure that the District is maintaining complete records of their fund activity.

- We recommend that the District hire a contractor to resolve the limitations in Banner and train the District's accounting staff in utilizing the System's financial reporting tools.

- We recommend that the District accounting staff receive training in the use of software reporting functions, specifically in creating comparative balance sheets, comparative income statements (current and prior year, and current year and budget), and detailed reports of receivables and payables from the trial balance.

- The District's business department should clearly communicate the requirements of the audit information that is being requested to its support staff as well as other District administration so ample time can be allocated to this process. The key is that the District must be fully "closed" and then begin dealing with the audit reporting requirements of balancing long-term obligations and ensuring the District's fixed asset database is up to date and accurate. A realistic date should be set as a target for the final audit visit and all departments should be aware of the time requirements needed to prepare the information needed for the audit.

Management's Response and Corrective Action Plan

- General Ledger System - The District is evaluating the current chart of accounts in order to improve efficiencies with data capture and report details.

- With the exception of a small number of bank accounts still being built in the Banner system (nine percent of the total bank and investment accounts), all adjustments and entries were made timely in the Banner software prior to the CCFS-311 being finalized. With the completion of all bank account information successfully implemented into the Banner Finance system, the District will engage in the project of recording the County activities related to the Bond Interest and Redemption Fund.

- Implementation of the Debt Service Funds, Associated Student Body Funds and the OPEB Trust Fund is being developed and will be implemented upon completion of successful implementation of the bank and investment accounts into the Banner Finance system.

- With improvements to the chart of accounts, the District has, as one goal, to improve the efficiencies with reporting for all federal and state programs. This will be accomplished with additional codes, effectively separating each program on multiple levels, in order to ensure each program can be tracked as an individual program. This has already been implemented with the Financial Aid modules.

- With the recruitment of a new Executive Vice-President of Administrative Services/CFO as of July 1, 2013, the Business Office now has the structure to ensure that future engagements will flow more orderly and timely.

2013-2 Vacation Accruals – Significant Deficiency Finding

We noted during our audit that there are numerous employees carrying a substantial amount of vacation hours. We noted several employees whose obligations were between $10,000 and $40,000. Employees should be strongly encouraged to use their vacation time during the year. Within the business services area, this is a key part of any internal control process over fraud and irregularities.

Recommendation

The administration should look into this situation and determine if it warrants further consideration to possibly implement policies to require vacation to be taken or work with the bargaining units to limit the amount of hours that can be carried over and subsequently, paid out at higher rates than were originally earned.

Management's Response and Corrective Action Plan

The District continues to work with employees in order to facilitate use of accrued vacation hours. The accrual system is monitored monthly to ensure that the District remains in compliance with the appropriate District/Union contracts. The District has compared its policy on vacation accruals and found it to be consistent with other districts within the California Community College System.

WEST KERN COMMUNITY COLLEGE DISTRICT

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

None noted

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

None noted

WEST KERN COMMUNITY COLLEGE DISTRICT

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

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

Financial Statement Findings

2012-1 Annual Financial and Budget Report (CCFS-311) – Material Weakness

Finding

The District's Annual Financial and Budget Report (CCFS-311) is used to report the District's ending financial reporting totals in such areas as revenues, expenditures, fund balance, assets, and liabilities. The CCFS-311 should be prepared as accurately as possible after the District has closed the year, with possible minimal post-closing entries. Due to the implementation of the Banner Finance Software System (Banner) for the 2007/08 fiscal year and because Banner is still not fully implemented, not all year-end closing entries were incorporated in Banner. Additionally, the District has not determined the accounts payable, deferred revenues, or accounts receivable balances by the time the CCFS-311 was due. Also, at the time the CCFS-311 report was submitted material cash and investment balances were excluded from the CCFS-311 report because the transactions related to those balances are normally not tracked through Banner. Basic annual financial balances were extracted and input into excel financial statements and a CCFS-311 worksheet. These amounts were then adjusted within the worksheets to adjust for various year-end adjustments including cash and investments, accounts receivable, deferred revenue and accounts payables. Once Banner incorporates all accounts and all accounting transactions, including year-end adjustments, the state reporting, board reporting, and audit process will go much more efficiently for the District staff.

Recommendation

All financial transactions, including closing entries such as receivable accruals, should be accounted for within the District's general ledger system. This creates a reporting and audit trail for all account balances and allows for management's review of those balances within the general ledger system. If additional entries are discovered after the books are closed and the CCFS-311 is prepared, post closing entries should be prepared for audit purposes. The entries would then be reflected as reconciling items between the audited financial statements and the CCFS-311 and posted into the subsequent fiscal year and audit adjustments.

Current Status

Implemented.

2012-2 Year-End Close Process Finding – Material Weakness

During our audit we noted material amounts of unrecorded transactions on the District's general ledger, as the trial balance provided during fieldwork did not incorporate the numerous year-end accruals and closing journal entries. Several material audit adjustments were required and additional procedures were needed to be performed in order to verify the information. These adjustments included but were not limited to, recording the cash and investment balances that are kept track of outside of Banner, adjustments to accounts payables, deferred revenues, inventories, inter-fund transfers, as well as revenues and expense accounts.

We also noted that certain funds, accounts, and activities are separately maintained in different general ledger systems and are then manually adjusted to be recorded in the District's financial statements and general ledger. As a consequence of following this policy, the manual adjustments are becoming more complex, and there is an increasing risk of misstating or omitting certain accounts or transactions. Misstatement of the financial statements could result in serious misrepresentations of District's financial position and results of operations as well as causing delays in issuing the financial statements.

Recommendation

We recommend a training program be implemented for the staff involved in preparation of the financial reports. We also recommend that the District's accounting department develop policies and procedures for the year-end close process as well as a financial report checklist to assist them in the year-end closing process. The year-end closing process should be completed with the majority of the closing entries being posted prior to the CCFS-311 filing due date, and should be entirely completed prior to providing the auditors the trial balance at the start of final field work. In addition, we recommend all funds, accounts, and activities be recorded and maintained within Banner.

Current Status

Partially implemented, see current year findings and recommendations.

2012-3 Limitations of the Banner General Ledger System – Material Weakness Finding

During our audit, we noted that the District's Banner general ledger system and the chart of accounts had several limitations in maintaining and reporting detailed information necessary in order to prepare the District's financial statements. We believe the District management would benefit from an expanded and more clarified general ledger and chart of accounts structure.

Some of the limitations of Banner noted during our audit included the following:

- We noted numerous bank and investment accounts maintained by the District in which the transactions related to such accounts were not reported and kept track of in Banner.

- Certain accounts included in the general ledger don't have enough detail. For example, in order to obtain the total cash held in county for one fund, three different accounts had to be combined together.

- We noted that there were limited number of accounts to report the revenues from State and local sources. The accounts included in the chart of accounts generally were not descriptive enough to determine the breakdown of the revenues as they should be reported in the Statements of Revenues, Expenses, and Changes in Net Assets.

- Currently, Banner does not have the capability to run a trial balance as of a specified date. Therefore, a trial balance was manually created by District's accounting staff by combining the asset, liability, and revenue and expense accounts and their year-end balance on a spreadsheet. As a consequence of the inability to generate a trial balance there is an increasing risk of misstating or omitting certain accounts balances. Misstatement of the financial statements could result in serious misrepresentations of District's financial position and results of operations.

- We noted that the activities and transactions related to the Debt Service fund, Associated Students Body fund, and OPEB trust fund was not recorded in Banner. Instead of reporting the activities related to those funds within Banner, the District's accounting department keeps track of the activities manually in excel spreadsheets.

Recommendation

In order to overcome the limitations of Banner we recommend the following:

- We recommend that the management will modify the District's chart of accounts to expand and clarify certain accounts to be suitable for the District's financial reporting needs.

- We strongly recommend that the District record all of its activity and accounts through the general ledger and such "statement adjustments" be kept at a minimum. This will ensure that the District is maintaining complete records of their fund activity.

- We recommend that the District hire a contractor to resolve the limitations in Banner and train the District's accounting staff in utilizing the System's financial reporting tools.

- We recommend that the District accounting staff receive training in the use of software reporting functions, specifically in creating comparative balance sheets, comparative income statements (current and prior year, and current year and budget), and detailed reports of receivables and payables from the trial balance.

Current Status

Partially implemented, see current year findings and recommendations.

2012-4 Vacation Accruals – Significant Deficiency Findings

We noted during our audit that there are numerous employees carrying a substantial amount of vacation hours. We noted several employees whose obligations were between $10,000 and $40,000. Employees should be strongly encouraged to use their vacation time during the year. Within the business services area, this is a key part of any internal control process over fraud and irregularities.

Recommendation

The administration should look into this situation and determine if it warrants further consideration to possibly implement policies to require vacation to be taken or work with the bargaining units to limit the amount of hours that can be carried over and subsequently, paid out at higher rates than were originally earned.

Current Status

Not implemented, see current year findings and recommendations.

2012-5 Purchase Card Controls and Policy – Significant Deficiency

Condition

During testing of credit card transactions, we noted ten out of 20 credit card transactions did not have a signed approval signature on the receipts. We noted five out of the 20 transactions did not have any supporting documentation. We also noted 5 out of the 20 transactions did not include the account coding on the supporting documentation, so we were unable to verify whether the transaction was coded to the correct account. We believe the main cause of this condition is that the District lacks a formal credit card policy.

Recommendation

We recommend that management implement a formal written policy for credit card purchases, which would include procedures requiring the transactions to be reviewed by appropriate supervisors, and requiring supporting documents to be maintained.

Current Status

Implemented.

2012-6 Journal Entry and Bank Reconciliation Review – Significant Deficiency

Condition

During our audit we noted several instances where we were unable to determine if management performed the appropriate oversight function on the accounting records. The instances noted were as follows:

- During our testing of the District's adjusting journal entries, we noted 12 out of 28 journal entries were prepared and approved by the same employee. Therefore, we were unable to determine whether management reviewed the entries for accuracy.

- During our analysis of the bank reconciliations, we noted no evidence of review of the reconciliations by appropriate level of management. We also noted the District did not perform reconciliations for cash held in the Kern County Treasury, and instead the account balance was corrected to agree Kern County records via adjusting entries.

Recommendation

We recommend management to implement written and clear policies and procedures to ensure appropriate segregation of duties for the journal entry preparation and review. The policies should segregate the preparing and review functions of journal entries.

We also recommend that a member of management, review all bank reconciliations for any unusual items, investigate and fully resolve any such items, and document their approval by initialing the form. We also recommend the District and management ensure that monthly reconciliations are performed between the accounting records maintained at the District and the reports of cash balances maintained by Kern County.

Current Status

Implemented.

2012-7 Understanding of GAAP / Financial Reporting Training – Significant Deficiency

Finding

During our audit, we believe that the District accounting staff did not possess an adequate understanding of financial reporting, internal controls, accounting principles generally accepted generally accepted in the United States of America (GAAP) and OMB Circular A-133. Also, District staff with financial reporting responsibilities have not received adequate training. The District is required to produce several types of reports, communications, and financial statements in order to comply with local, state, and federal requirements. To achieve the goal of providing reliable, useful, and timely information for accountability of government programs and their operations, District staff should be adequately trained. Training has not been provided in the following areas:
Governmental Accounting Standards Board (GASB) pronouncements

- Accounting Principles Generally Accepted in the United States of America
- OMB Circular A-133
- Government Auditing Standards
- The financial reporting and internal control systems of the District

Recommendation

In order for the District to provide accurate, reliable, and timely information, District employees with financial reporting responsibilities must be trained. In addition, as the District has a small staff, cross training is very important. The District must develop and implement a training program which covers all financial and regulatory areas for District staff.

Current Status

Implemented.

2012-8 Lack of Review of Long-Term Debt balances and Calculation of the Bond Accretion, Premium and Debt Issuance Costs – Significant Deficiency

Finding

During our examination of the District's long-term debt we noted that management did not prepare or review the general obligation bond's interest accretion calculation or current year amortization of the bond's premium or debt issuance costs.

Recommendation

We recommend that the interest accretion, premiums, and debt issuance costs be prepared or reviewed by management or an outside consultant to determine the amounts are accurately maintained and properly recorded at year-end. This is especially important regarding the accretion of interest on the Capital Appreciation bonds as the calculations are very complicated.

Current Status

Implemented.

State Awards Findings and Questioned Costs

2012-9 50 Percent Law

Finding

Education Code Section 84362, commonly known as the 50 Percent Law, requires that a minimum of 50 percent of the District's current expense on education expended during each fiscal year are for "Salaries of Classroom Instructors".

During our audit and analysis of the 50 percent calculations, we determined that the District's salaries of classroom instructors was less than 50 percent of the District's current expense of education in accordance with Education Code Section 84362.

Recommendation

In order to assist the District to ensure that correct figures are used to calculate the 50 percent law compliance, we recommend annual budgets are set-up, and budgets to actual costs are reviewed on a timely basis by senior management.

Current Status

Implemented.

ADDITIONAL SUPPLEMENTARY INFORMATION

WEST KERN COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2013

	General Fund Unrestricted	General Fund Restricted	Total General Fund
ASSETS			
Cash in county treasury	$ 5,356,688	$ 2,371,860	$ 7,728,548
Cash on hand and in banks	1,735,218	-	1,735,218
Investments	-	-	-
OCA- Prepaid Expenditures	143,151	5,150	148,301
Accounts receivable	2,507,982	892,842	3,400,824
Dues from other funds	6,556,460	2,425,997	8,982,457
Inventories	-	-	-
TOTAL ASSETS	$ 16,299,499	$ 5,695,849	$ 21,995,348
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 165,087	$ 307,494	$ 472,581
Unapplied cash payments	806,982	-	806,982
Compensated Absences	347,277	53,526	400,803
Deferred revenue	1,279,622	1,964,372	3,243,994
Due to other funds	8,522,269	-	8,522,269
TOTAL LIABILITIES	11,121,237	2,325,392	13,446,629
FUND BALANCES			
Restricted Fund Balance	-	3,365,307	3,365,307
Non-spendable Fund Balance	143,151	5,150	148,301
Assigned Fund Balance	-	-	-
Unassigned Fund Balance	5,035,111	-	5,035,111
TOTAL FUND BALANCE	5,178,262	3,370,457	8,548,719
TOTAL LIABILITIES AND FUND BALANCE	$ 16,299,499	$ 5,695,849	$ 21,995,348

See accompanying note to additional supplementary information.

Bond Interest and Redemption Fund	Debt Service Fund	Child Development Fund	Capital Outlay Fund	Revenue Bond Construction Fund	Restricted Purpose Fund
$ 2,422,971	$ -	$ 400,588	$ 2,013,619	$ 14,679,532	$ 17,972,853
-	-	-	-	-	-
-	12,545,071	-	-	-	-
-	-	-	-	-	-
-	-	72,915	3,078	1,500	23
-	-	-	736,965	59,340	4,359,689
-	-	-	-	-	-
$ 2,422,971	$ 12,545,071	$ 473,503	$ 2,753,662	$ 14,740,372	$ 22,332,565
$ -	$ -	$ 37,572	$ 22,497	$ 44,015	$ -
-	-	-	-	-	-
-	-	33,598	-	-	-
-	-	-	-	-	-
-	-	1,198,667	4,256,709	612,098	700,000
-	-	1,269,837	4,279,206	656,113	700,000
-	-		-	14,084,259	-
-	-		-	-	-
2,422,971	12,545,071		-	-	21,632,565
-	-	(796,334)	(1,525,544)	-	-
2,422,971	12,545,071	(796,334)	(1,525,544)	14,084,259	21,632,565
$ 2,422,971	$ 12,545,071	$ 473,503	$ 2,753,662	$ 14,740,372	$ 22,332,565

WEST KERN COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEETS, Continued
JUNE 30, 2013

	Bookstore Fund	Cafeteria Fund	Revenue Bond Fund
ASSETS			
Cash in county treasury	$ 245,586	$ 223,350	$ 639,707
Cash on hand and in banks	-	-	-
Investments	-	-	-
OCA- Prepaid Expenditures	-	-	13,825
Accounts receivable	152	2,381	1,149
Dues from other funds	972,706	110,800	627,885
Inventories	266,230	20,930	-
TOTAL ASSETS	$ 1,484,674	$ 357,461	$ 1,282,566
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 4,048	$ 106,096	$ 17,037
Unapplied cash payments	-	-	-
Compensated Absences	2,920	13,001	-
Deferred revenue	-	-	-
Due to other funds	-	-	-
TOTAL LIABILITIES	6,968	119,097	17,037
FUND BALANCES			
Restricted Fund Balance	-	-	1,265,529
Non-spendable Fund Balance	266,230	20,930	-
Assigned Fund Balance	1,211,476	217,434	-
Unassigned Fund Balance	-	-	-
TOTAL FUND BALANCE	1,477,706	238,364	1,265,529
TOTAL LIABILITIES AND FUND BALANCE	$ 1,484,674	$ 357,461	$ 1,282,566

Parking Fund	TIL Fund	Impounds Fund	Total Governmental Funds
$ 68,842	$ 621,630	$ 2,023,324	$ 49,040,550
-	-	-	1,735,218
-	-	-	12,545,071
-	-	-	162,126
78	35,850	-	3,517,950
-	381,463	-	16,231,305
-	-	-	287,160
$ 68,920	$ 1,038,943	$ 2,023,324	$ 83,519,380
$ -	$ 17,282	$ -	$ 721,128
-	-	-	806,982
-	62,941	-	513,263
-	-	-	3,243,994
463	941,099	-	16,231,305
463	1,021,322	-	21,516,672
68,457	17,621	-	18,801,173
-	-	-	435,461
-	-	2,023,324	40,052,841
-	-	-	2,713,233
68,457	17,621	2,023,324	62,002,708
$ 68,920	$ 1,038,943	$ 2,023,324	$ 83,519,380

WEST KERN COMMUNITY COLLEGE DISTRICT

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

	General Fund Unrestricted	General Fund Restricted	Total General Fund
REVENUES			
Federal sources	$ -	$ 8,076,434	$ 8,076,434
State sources	3,761,508	2,724,022	6,485,530
Local sources	11,351,930	168,180	11,520,110
Other Financing Sources	-	-	-
TOTAL REVENUES	15,113,438	10,968,636	26,082,074
EXPENDITURES			
Certificated salaries	6,692,133	896,518	7,588,651
Classified salaries	3,940,263	1,978,196	5,918,459
Employee benefits	4,010,920	1,033,379	5,044,299
Books and supplies	346,837	318,294	665,131
Services and other operating expenditures	3,248,593	1,704,050	4,952,643
Capital outlay	116,237	656,952	773,189
Other outgoing	172,913	54,738	227,651
TOTAL EXPENDITURES	18,527,896	6,642,127	25,170,023
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,414,458)	4,326,509	912,051
OTHER FINANCING SOURCES (USES)			
Discretionary Transfers	4,419,684	(4,753,153)	(333,469)
Proceeds from capital leases	82,209	-	82,209
Other Transfers	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	4,501,893	(4,753,153)	(251,260)
NET CHANGE IN FUND BALANCE	1,087,435	(426,644)	660,791
FUND BALANCES, BEGINNING OF YEAR	4,090,827	3,797,101	7,887,928
PRIOR PERIOD ADJUSTMENT	-	-	-
FUND BALANCES, END OF YEAR	$ 5,178,262	$ 3,370,457	$ 8,548,719

See accompanying note to additional supplementary information.

Bond Interest and Redemption Fund	Debt Service Fund	Child Development Fund	Capital Outlay Fund	Revenue Bond Construction Fund	Restricted Purpose Fund
$ -	$ -	$ 140,417	$ -	$ -	$ -
-	-	1,597,640	5,908,513	-	-
2,573,948	3,847,063	10,583	7,307	115,974	86,082
-	-	-	-	-	-
2,573,948	3,847,063	1,748,640	5,915,820	115,974	86,082
-	-	178,716	-	-	-
-	-	1,022,400	-	-	-
-	-	442,114	-	-	-
-	-	179,761	2,637	188	-
-	-	91,949	776,563	292,568	109,656
-	-	1,692	6,595,273	2,137,428	-
1,398,486	3,877,760	-	-	-	2,208,279
1,398,486	3,877,760	1,916,632	7,374,473	2,430,184	2,317,935
1,175,462	(30,697)	(167,992)	(1,458,653)	(2,314,210)	(2,231,853)
-	-	-	-	-	-
-	-	-	-	-	-
(1,196,705)	-	-	-	-	-
(1,196,705)	-	-	-	-	-
(21,243)	(30,697)	(167,992)	(1,458,653)	(2,314,210)	(2,231,853)
-	12,575,768	(628,342)	(66,891)	16,398,469	23,864,418
2,444,214	-	-	-	-	-
$ 2,422,971	$ 12,545,071	$ (796,334)	$ (1,525,544)	$ 14,084,259	$ 21,632,565

WEST KERN COMMUNITY COLLEGE DISTRICT

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

	Bookstore Fund	Cafeteria Fund	Revenue Bond Fund
REVENUES			
Federal sources	$ -	$ -	$ -
State sources	-	-	-
Local sources	990,295	584,814	265,976
Other Financing Sources	-		-
TOTAL REVENUES	990,295	584,814	265,976
EXPENDITURES			
Certificated salaries	-	-	-
Classified salaries	160,126	293,411	-
Employee benefits	65,342	130,521	-
Books and supplies	565,165	450,318	13,432
Services and other operating expenditures	78,606	4,020	38,310
Capital outlay	10,544	490	6,654
Other outgoing	12,765	-	-
TOTAL EXPENDITURES	892,548	878,760	58,396
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	97,747	(293,946)	207,580
OTHER FINANCING SOURCES (USES)			
Discretionary Transfers	-	300,000	-
Proceeds from capital leases	-	-	-
Other Transfers	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	300,000	-
NET CHANGE IN FUND BALANCE	97,747	6,054	207,580
FUND BALANCES, BEGINNING OF YEAR	1,379,959	232,310	1,057,949
PRIOR PERIOD ADJUSTMENT	-	-	-
FUND BALANCES, END OF YEAR	$ 1,477,706	$ 238,364	$ 1,265,529

See accompanying note to additional supplementary information.

Parking Fund	TIL Fund	Impounds Fund	Total Governmental Funds
$ -	$ -	$ -	$ 8,216,851
-	1,525,701	-	15,517,384
346	23,900	-	20,026,398
-	-	-	-
346	1,549,601	-	43,760,633
-	112,364	-	7,879,731
-	1,033,375	-	8,427,771
-	396,263	-	6,078,539
1,146	47,516	-	1,925,294
-	74,030	-	6,418,345
-	1,701	-	9,526,971
-	-	-	7,724,941
1,146	1,665,249	-	47,981,592
(800)	(115,648)	-	(4,220,959)
-	-	-	(33,469)
-	-	-	82,209
-	-	-	(1,196,705)
-	-	-	(1,147,965)
(800)	(115,648)	-	(5,368,924)
69,257	133,269	2,023,324	64,927,418
-	-	-	2,444,214
$ 68,457	$ 17,621	$ 2,023,324	$ 62,002,708

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION
JUNE 30, 2013

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

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