

**WEST KERN
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

WEST KERN COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

JUNE 30, 2014

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis (Required Supplementary Information)	5
Basic Financial Statements - Primary Government	
Statement of Net Position	13
Statement of Revenues, Expenses, and Changes in Net Position	14
Statement of Cash Flows	15
Fiduciary Funds	
Statement of Net Position	16
Statement of Changes in Net Position	17
Discretely Presented Component Unit - Taft College Foundation	
Statement of Financial Position	18
Statement of Activities	19
Statement of Cash Flows	20
Notes to Financial Statements	21

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Other Postemployment Benefits (OPEB) Funding Progress	51
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SUPPLEMENTARY INFORMATION

District Organization	53
Schedule of Expenditures of Federal Awards	54
Schedule of Expenditures of State Awards	55
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance	56
Reconciliation of <i>Education Code</i> Section 84362 (50 Percent Law) Calculation	57
Proposition 30 Education Protection Act (EPA) Expenditure Report	60
Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements	61
Reconciliation of Governmental Funds to the Statement of Net Position	62
Notes to Supplementary Information	63

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	66
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the OMB Circular A-133	68
Report on State Compliance	70

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	73
Financial Statement Findings and Recommendations	74
Federal Awards Findings and Questioned Costs	76
State Awards Findings and Questioned Costs	77
Summary Schedule of Prior Audit Findings	78

WEST KERN COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

JUNE 30, 2014

ADDITIONAL SUPPLEMENTARY INFORMATION (UNAUDITED)

Governmental Funds	
Balance Sheets	82
Statements of Revenues, Expenditures, and Changes in Fund Balances	84
Note to Additional Supplementary Information	86

FINANCIAL SECTION



INDEPENDENT AUDITOR'S 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 (Taft College Foundation) of West Kern Community College District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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, 2014, and the changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The accompanying Additional Supplementary Information, such as the Governmental Funds Balance Sheets and Statements of Revenues, Expenditures and Changes in Fund Balance, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2015, 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.

Varrink, Trine, Day & Co., LLP

Fresno, California
January 13, 2015



MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Taft College/West Kern Community College District's (the District) Annual Financial Report presents a narrative overview and analysis of the District's financial activities during the fiscal year just ended as well as the overall financial condition of the District at June 30, 2014. This analysis is presented with comparative information from the year ended June 30, 2013 to highlight changes between the fiscal years. This section is designed to focus on currently known facts, current activities, and the resulting changes, and is intended to be read 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 Assets, the Statement of Revenues, Expenses and Changes in Net Assets, 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 Assets 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 Assets 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

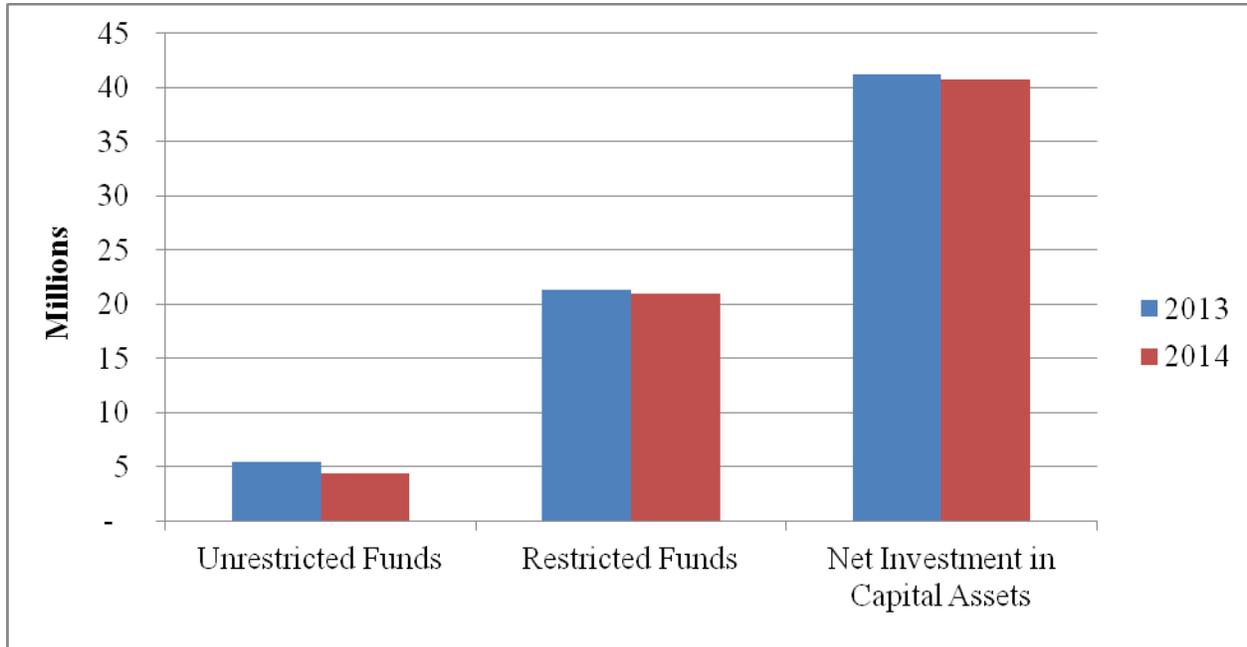
The California Community College Chancellors Office (CCCCO) calculates total apportionment to be received by the District each year. The calculation consists of establishing a specified full time equivalency (FTE) level for the District and multiplying this total by predetermined amounts per FTE. Total apportionment payment consists of tuition fees, property taxes and state apportionment revenues. The District experienced a slight increase in total apportionment based on recovering property values as well as improved State budget forecasts over 2012/2013. In part, due to unemployment rates in the state and Kern County continuing to calculate higher than the national average and a reprieve from continuing tuition fee increases at the California community college levels, enrollment for the District continues to perform slightly above the funded apportionment rates. While the District is still working in a period of budget restoration from the Chancellor's Office, the District served a student population 6 FTE over the funded rate in 2013/2014, up from the 1.25 FTE service over funding in 2012/2013. 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.

WEST KERN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

During the improving, but still recovering, State economy, the District received the first cost of living adjustment (COLA) in six years, with a 1.57% inflation correction. 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

Proposition 30, which was passed by the voters in November, 2012 has continued to have a steadying effect on the funding for the California Community College system (The System). The System calculated funded growth for the District at approximately 1.5% for 2013/2014. The 1.5% increase was due to inflation based adjustments in the form of cost of living adjustments, but in light of the budgetary reductions over the last 6 years, it is viewed as a positive marker and a sign of an improving economy. The System has not had any additional increases in enrollment fees since the \$10 per unit increase in enrollment fees that was implemented beginning with the summer 2012 term. At that time, the increase from \$36 to \$46 per unit represented a 24% percent growth in enrollment fees per unit. Despite the returning fiscal stability regarding funding for District budgeting and operations, continued property tax receipt adjustments from Kern County created an environment where the District's deferrals of state apportionment funds increased to \$2,536,373 for 2013/2014 as compared to \$208,020 in 2012/2013. The combination of property tax revenue negative adjustments and the District performing to a reserve spending based budget led to an decrease in the District's unrestricted funds of just over -\$1 million. Restricted Net Assets experienced a decrease of \$390 thousand which was primarily created by the reclassification of program specific unearned revenues which were constructively earned in the fiscal year just ended. The ongoing long-term campus improvements funded by the 2004 Measure A funding is evident in Net Investment in Capital Assets. The District's Invested in Capital Assets position declined by almost -\$543 thousand for the year just ended. Construction in progress additions offset against debt obligation payments created the decrease in the fund balance. The District did not incur any additional debt related to the long-term campus improvement construction occurring across campus in 2013/2014.

WEST KERN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

Statement of Net Position of the District

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease) 2014-2013</u>
Current Assets	\$ 62,886,000	\$ 67,270,000	-6.5%
Non-current Assets			
Debt issuance costs, unamortized	-	1,897,000	-100.0%
Capital Assets, net of depreciation	77,673,000	75,612,000	2.7%
Other Long-term Assets	-	18,000	-100.0%
	<hr/>	<hr/>	
Total Assets	<u>\$ 140,559,000</u>	<u>\$ 144,797,000</u>	<u>-2.9%</u>
Current Liabilities	\$ 7,555,000	\$ 7,994,000	-5.5%
Non-Current Liabilities	66,983,000	68,804,000	-2.6%
Total Liabilities	<hr/> 74,538,000	<hr/> 76,798,000	<hr/> -2.9%
Net Assets			
Invested in Capital Assets, net of debt	40,697,000	41,240,000	-1.3%
Restricted	20,978,000	21,368,000	-1.8%
Unrestricted	4,346,000	5,391,000	-19.4%
Total Net Assets	<hr/> 66,021,000	<hr/> 67,999,000	<hr/> -2.9%
Total Liabilities and Net Assets	<u>\$ 140,559,000</u>	<u>\$ 144,797,000</u>	<u>-2.9%</u>

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 \$-4.4 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 mainly by the combination of capital assets growing by \$453 thousand, net of accumulated depreciation as the long-term construction project continued to improve the face of the campus. Another \$1.6 million in additions to non-depreciable capital assets in the form of construction in progress, tied to current projects pending completion was recorded during the year. \$1.9 million deemed to be long-term investments was moved to current assets during the year just ended, reducing all of the capital asset gains of the non-current asset allocations and yielding an increase in Non-Current Assets of \$146 thousand.

WEST KERN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

Analysis of Capital Assets

As of June 30, 2014, the District recorded \$104.6 million invested in capital assets, \$26.9 million in accumulated depreciation, totaling \$77.7 million recorded in net capital assets. In addition to these investments, the District also increased construction in progress (CIP) to a level of \$21.3 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, 2014, no projects were moved from CIP to capitalized assets. Based upon the current rate of project progress, materially all of the current CIP will be placed into service during the 2014/15 fiscal year.

Analysis of Liabilities

Current liabilities decreased \$439 thousand for the year just ended. For the second year in a row, the District experienced a large decrease in accounts payable balances. This -\$561 thousand decrease in payables was slightly offset by a small increase of \$142 thousand in unearned revenue and unapplied payments as of June 30. No new debt was issued for the year just ended.

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease) 2014-2013</u>
Operating Revenues			
Tuition and fees (less discounts)	\$ 1,733,000	\$ 2,031,000	-14.7%
Total Operating Revenues	<u>1,733,000</u>	<u>2,031,000</u>	<u>-14.7%</u>
Operating Expenses			
Salaries and Benefits	23,016,000	22,288,000	3.3%
Supplies, Materials, Depreciation	20,155,000	11,598,000	73.8%
Total Operating Expenses	<u>43,171,000</u>	<u>33,886,000</u>	<u>27.4%</u>
Operating (Loss)	<u>(41,438,000)</u>	<u>(31,855,000)</u>	<u>30.1%</u>
Non-Operating Revenues (Expenses)			
State Apportionments and Property Taxes	17,320,000	15,855,000	9.2%
Grants and Contracts	18,548,000	14,020,000	32.3%
Investments, Other Revenues (Expenses)	4,984,000	2,808,000	77.5%
Total Non-Operating Revenues (Expenses)	<u>40,852,000</u>	<u>32,683,000</u>	<u>25.0%</u>
Other Revenues	<u>506,000</u>	<u>5,908,000</u>	<u>-91.4%</u>
Increase (Decrease) in Net Position	(80,000)	6,736,000	-101.2%
Net Position, Beginning of Year, Restated	<u>66,101,000</u>	<u>61,263,000</u>	<u>7.9%</u>
Net Position, End of Year	<u>\$ 66,021,000</u>	<u>\$ 67,999,000</u>	<u>-2.9%</u>

WEST KERN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

This statement is prepared from the District's Statement of Revenues, Expenses, and Changes in Net Position which is presented on the accrual basis of accounting, in which revenues and expenses are recorded when incurred, regardless of the timing of the related cash flow.

Operating Results Fiscal Year 2014 Compared to 2013

Operating revenues reflect a slight decrease due to the District's student enrollment level shift. Fewer non-resident students attended the College in 2013/2014 than in 2012/2013, triggering a slight reduction in enrollment fees. As residents of California are eligible for a wider variety of educational aid options that non-resident students, this shift was reflected on an increase in scholarships and allowances, combining with the -\$90 thousand decrease in enrollment fees to create a decrease of -\$298 thousand for the year. Overall, FTE attendance remained stable at 2,612 in 2013/2014, as compared to 2,539 in 2012/2013.

Salaries increased by \$880 thousand in 2013/2014 due to such factors as positions created by employee retirements or resignations that went unfilled in 2012/2013 being filled by new hires to the District, thus increasing salary and benefit expenditures. Several new instructional positions were also created and staffed in 2013/2014. Due to changes in benefit offerings by the District along with a proactive approach regarding post-employment employment benefits, employee benefits expenditures decreased by -\$153 thousand, despite the fact that District individual employee benefit costs increased by an average of 4.3% as compared to 2012/2013. The Other Post Employment Benefits (OPEB) obligation experienced a decrease of almost -19% from \$1.68 million to \$1.37 million in the current year. This is a requirement mandated annually to comply with GASB 45 reporting standards. Non salary and benefit coded other operating expenses experienced increases of \$8.5 million tied to such items as a slight increase in depreciation due to additional items being capitalized in 2013/2014 and the timing of the capital improvement projects on the campus and the related expenditures tied to these projects.

The District experienced several major changes in non-operating revenues in 2013/2014. As federal and local grant and contract funds declined by a combined -\$1.5 million, state grant and contract funds rose by \$6 million. For the second year, the District received a reduction in capital asset related interest expenses, measured as -\$0.9 million in 2013/2014, as compared to the reduction of -\$3.3 million for 2012/2013. Other state revenues rose by almost \$2.6 million but was absorbed by a non-operating expenditure increases comprised mainly of property tax impounds.

WEST KERN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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 classification are presented below. The totals have not been adjusted for certain entries that are required to the modified accrual accounting basis in order to generate the GASB 34 and 35 full-accrual financial statements.

	Salaries and Benefits	Supplies, Material and Other Expenses and Services	Other Outgo	Depreciation	Total
Instructional activities	\$ 10,052,977	\$ 1,759,029	\$ 116,316	\$ -	\$ 11,928,322
Academic support	1,459,092	181,979	68,619	-	1,709,690
Student services	3,992,324	509,076	264,750	-	4,766,150
Plant operations and maintenance	1,733,109	1,249,826	154,225	-	3,137,160
Instructional support services	2,076,473	618,482	78,338	-	2,773,293
Community Services and economic development	62,664	13,542	-	-	76,206
Ancillary services and auxiliary operations	3,702,353	9,851,626	3,679,426	-	17,233,405
Trust and agency activities	-	-	-	-	-
Depreciation expense- unallocated	-	-	-	2,650,778	2,650,778
	<u>\$ 23,078,992</u>	<u>\$ 14,183,560</u>	<u>\$ 4,361,674</u>	<u>\$ 2,650,778</u>	<u>\$ 44,275,004</u>

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2013/2014

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

WEST KERN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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 late 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 Taft Unified and Maricopa Unified Districts. The District contains only one college campus, Taft College.

Prospects for the Future

Even with stabilizing effects the passage of Proposition 30 had on the California Community College System over the last few years, the future financial outlook for the College remains uncertain. The Proposition is scheduled to sunset in 2018, taking its current benefit strength with it. Although property taxes show potential for continued increases which could fill the void left by Proposition 30 sales tax revenue, 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 6.1 % as of June, 2014 as compared to 7.5% for June, 2013. Comparatively, California's rate dropped to 7.4% for June, 2014 compared to 8.5% for the same period in 2013. 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. With the expiration of Proposition 30 in the near future, 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 maintained a stable attendance level in 2013/2014, it has experienced a very slight decline over the last 5 years due to decreasing course offering adjustments related to funding. Continuing to improve budgetary modeling and forecasting methods along with an improving economic climate, the College is continuing to respond to increasing course demands by offering additional classes and educational options. The College has experienced full time equivalent (FTE) increases of 2.45% over the last two academic years illustrating how these additional offerings are being positively received. This increase is up from the 2.34% improvement rate for the previous 2 year comparison period, 2011–2013.

WEST KERN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

The following table illustrates enrollment levels over the last five years:

	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
<u>Enrollment</u>	2,566	2,481	2,478	2,539	2,538
% Increase (Decrease)	(5.27%)	(3.32%)	(0.12%)	2.46%	(0.01%)

2010 – 2014 (5-year) Average Decrease in enrollment: (1.07%)

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 or Jim Nicholas, Director of Fiscal Services at Taft College, 29 Cougar Court, Taft, CA 93268.

WEST KERN COMMUNITY COLLEGE DISTRICT

**STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2014**

ASSETS

Current Assets:

Unrestricted cash and investments	\$ 9,280,534
Restricted cash and cash equivalents	47,132,446
Accounts receivable	6,052,553
Inventory	301,919
Prepaid expenditures	118,826
Total current assets	<u>62,886,278</u>

Noncurrent Assets:

Nondepreciable capital assets	22,679,504
Depreciable capital assets	81,935,758
Accumulated depreciation	(26,942,820)
Total noncurrent assets	<u>77,672,442</u>

TOTAL ASSETS

140,558,720

LIABILITIES

Current Liabilities:

Accounts payable	1,084,913
Unearned revenue	2,437,347
Other current liabilities-unapplied payments	831,078
Long term debt-current portion	2,675,000
Total current liabilities	<u>7,028,338</u>

Noncurrent liabilities:

Long term debt-noncurrent portion	<u>67,509,854</u>
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TOTAL LIABILITIES

74,538,192

NET POSITION

Net investment in capital assets	40,697,239
Restricted:	
Debt service	14,979,310
Legally restricted	3,385,727
Other activities	2,612,256
Unrestricted	<u>4,345,996</u>
TOTAL NET POSITION	<u>\$ 66,020,528</u>

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

WEST KERN COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2014

OPERATING REVENUES

Tuition and fees	\$ 3,777,445
Less: Scholarship discounts and allowances	(2,044,574)
Net tuition and fees	<u>1,732,871</u>
TOTAL OPERATING REVENUES	<u>1,732,871</u>

OPERATING EXPENSES

Salaries	17,187,618
Employee benefits	5,827,947
Supplies, materials and other expenses	17,504,584
Depreciation	<u>2,650,778</u>
TOTAL OPERATING EXPENSES	<u>43,170,927</u>

OPERATING LOSS

(41,438,056)

NON-OPERATING REVENUES (EXPENSES)

Grants and contracts, non-capital:	
Federal	7,563,717
State	10,346,678
Local	637,657
State apportionments, non-capital	5,533,919
Local property taxes	11,786,252
Local taxes, debt related	3,010,948
State taxes and other revenues	681,292
Investment income, capital	280,413
Investment income, non-capital	388,341
Interest expenses - capital asset related debt	(1,104,077)
Other non-operating revenues and expenditures	<u>1,726,473</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>40,851,613</u>

INCOME/(LOSS) BEFORE OTHER REVENUES

(586,443)

State revenues, Capital	<u>505,780</u>
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CHANGE IN NET POSITION

(80,663)

NET POSITION, BEGINNING OF YEAR, RESTATED

66,101,191

NET POSITION, END OF YEAR

\$ 66,020,528

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

WEST KERN COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 1,749,781
Payments to suppliers	(17,265,817)
Payments to/(on behalf of) employees	(23,316,231)
Other Operating Receipts/Payments	261,473
Net Cash Used by Operating Activities	<u>(38,570,794)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Non-capital grants and contracts	18,666,569
State apportionments	2,310,705
Other nonoperating	-
Property taxes	14,797,200
State taxes and other apportionments	2,070,484
Net Cash Provided by Noncapital Financing Activities	<u>37,844,958</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(4,712,029)
State revenue, capital projects	505,780
Proceeds from issuance of debt	1,167,701
Principal paid on capital debt	(2,708,152)
Interest paid on capital debt	(1,104,077)
Deferred issuance costs and interest on capital related debt, net	280,413
Net Cash Used by Capital Financing Activities	<u>(6,570,364)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received from investments	388,341
Net Cash Provided by Investing Activities	<u>388,341</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

	(6,907,859)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>63,320,839</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 56,412,980</u>

**RECONCILIATION OF NET OPERATING LOSS TO NET
CASH USED BY OPERATING ACTIVITIES**

Operating loss	\$ (41,438,056)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	2,650,778
Changes in assets and liabilities:	
(Increase)/decrease in accounts receivables, operating revenues	(3,111,667)
(Increase)/decrease in inventories	(14,759)
(Increase)/decrease in prepaids and deferred issuance costs	43,300
Increase/(decrease) in accounts payable and accrued liabilities	3,211,396
Increase in unearned revenue	88,214
Total Adjustments	<u>2,867,262</u>
Net Cash Used by Operating Activities	<u>\$ (38,570,794)</u>

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

WEST KERN COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Student Body Fund	OPEB Trust	Total Fiduciary Funds
ASSETS			
Cash on hand and in banks	\$ 139,253	\$ -	\$ 139,253
Investments	-	3,217,656	3,217,656
TOTAL ASSETS	\$ 139,253	\$ 3,217,656	\$ 3,356,909
LIABILITIES AND NET POSITION			
LIABILITIES			
Due to student groups	\$ 139,253	\$ -	\$ 139,253
TOTAL LIABILITIES	139,253	-	139,253
NET POSITION - Restricted	-	3,217,656	3,217,656
TOTAL LIABILITIES AND NET POSITION	\$ 139,253	\$ 3,217,656	\$ 3,356,909

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

WEST KERN COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	OPEB Trust
REVENUES	
Contributions	\$ 563,580
Interest and dividends	128,430
Unrealized gain/(loss) of investments	239,385
TOTAL REVENUES	<u>931,395</u>
 EXPENDITURES	
Services and other operating expenditures	<u>33,371</u>
TOTAL EXPENDITURES	<u>33,371</u>
 CHANGE IN NET POSITION	<u>898,024</u>
 NET POSITION, BEGINNING	<u>2,319,632</u>
NET POSITION, ENDING	<u><u>\$ 3,217,656</u></u>

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

WEST KERN COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT

TAFT COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

ASSETS

Cash on hand and in banks	\$	109,329
Investments		2,099,648
Accounts receivable		18,845
TOTAL ASSETS	\$	2,227,822

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$	1,741
TOTAL LIABILITIES		1,741

NET ASSETS-Unrestricted

TOTAL LIABILITIES AND NET ASSETS	\$	2,226,081
		2,227,822

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

WEST KERN COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
TAFT COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

REVENUES	
Other income	\$ 1,007,427
TOTAL REVENUES	<u>1,007,427</u>
EXPENDITURES	
Services and other operating expenditures-program costs	<u>549,855</u>
TOTAL EXPENDITURES	<u>549,855</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>457,572</u>
NET CHANGE IN NET ASSETS	457,572
NET ASSETS, BEGINNING	<u>1,768,509</u>
NET ASSETS, ENDING	<u><u>\$ 2,226,081</u></u>

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

WEST KERN COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
TAFT COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES

Payments to suppliers	\$ (253,717)
Other Operating Receipts/Payments	<u>755,243</u>
Net Cash Provided by Operating Activities	<u><u>501,526</u></u>

NET CHANGE IN CASH AND CASH EQUIVALENTS 501,526

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 1,707,451

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 2,208,977

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

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 Cougar Court, 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.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, 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.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

Accounts Payable and Long-Term Obligations

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

Debt Issuance Costs and Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method. Issuance costs are expended in the period incurred.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

Unearned Revenue

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

Noncurrent Liabilities

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

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

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

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, and Federal Work-Study, 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*.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

Change in Accounting Principles

In 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 District has implemented the provisions of this Statement for the year ended June 30, 2014.

As the result of implementing GASB Statement No. 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013, by \$1,897,278. The decrease results from no longer deferring and amortizing bond issuance costs.

New Accounting Pronouncements

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.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

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

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Summary of Deposits and Investments

Deposits and investments of the Primary Government as of June 30, 2014, consist of the following:

Cash on hand and in banks	\$ 3,273,796
Cash in revolving	7,080
Investments	<u>53,132,104</u>
Total Deposits and Investments	<u>\$ 56,412,980</u>

Deposits and investments of the Fiduciary Funds as of June 30, 2014, consist of the following:

Cash on hand and in banks	\$ 139,253
Investments	<u>3,217,656</u>
Total Deposits and Investments	<u>\$ 3,356,909</u>

Deposits and investments of the Foundation as of June 30, 2014, consist of the following:

Cash on hand and in banks	\$ 109,329
Investments	<u>2,099,648</u>
Total Deposits and Investments	<u>\$ 2,208,977</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times 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.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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
Common Stock	\$ 457,001	\$ 457,001	\$ -	\$ -	\$ -
U.S. Government					
Agency Securities	18,355,401	11,048,018	1,453,719	4,968,408	885,256
Municipal Bonds	8,086,393	871,103	1,494,442	5,593,237	127,611
Corporate Bonds	5,938,861	773,815	243,340	3,807,140	1,114,566
Foreign Bonds	3,342,497	153,733	1,033,050	1,712,154	443,560
Certificates of Deposit	4,620,007	705,730	561,809	3,309,782	42,686
Kern County Pool	14,269,436	7,554,239	4,377,863	2,337,334	-
Held by Trustee: Master Trusts	3,323,656	3,323,656	-	-	-
Total	<u>\$ 58,393,252</u>	<u>\$ 24,887,295</u>	<u>\$ 9,164,223</u>	<u>\$ 21,728,055</u>	<u>\$ 2,613,679</u>

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 (S&P)							
			AAA	AA+	AA/AA-	A+	A/A-	BBB+	BBB/B+	Unrated
Common Stock	\$ 457,001	N/A	\$ -	\$ -	\$ 79,124	\$ 13,140	\$ 100,370	\$ 17,615	\$ 246,752	\$ -
U.S. Government										
Agency Securities	18,355,401	N/A	-	8,166,428	-	-	-	-	-	10,188,973
Municipal Bonds	8,086,393	N/A	2,421,197	254,657	2,871,632	646,229	1,892,678	-	-	-
Corporate Bonds	5,938,861	N/A	-	319,565	1,763,018	1,038,763	2,076,382	277,605	463,528	-
Foreign Bonds	3,342,497	N/A	-	-	3,135,168	207,329	-	-	-	-
Certificates of Deposit	4,620,007	N/A	-	-	-	-	-	-	-	4,620,007
Kern County Pool	14,269,436	N/A	-	-	-	-	-	-	-	14,269,436
Held by Trustee:										
Master Trusts	3,323,656	N/A	-	-	-	-	-	-	-	3,323,656
Total	<u>\$ 58,393,252</u>		<u>\$ 2,421,197</u>	<u>\$ 8,740,650</u>	<u>\$ 7,848,942</u>	<u>\$ 1,905,461</u>	<u>\$ 4,069,430</u>	<u>\$ 295,220</u>	<u>\$ 710,280</u>	<u>\$ 32,402,072</u>

N/A - Not Applicable

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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:

<u>Investment Type</u>	<u>Issuer</u>	<u>Reported Amount</u>
Corporate Notes	Morgan Stanley	<u>\$ 3,810,476</u>
Foreign Notes	Wells Fargo	<u>\$ 3,342,497</u>
Mutual Funds	Benefit Trust (Trustee)	<u>\$ 3,217,656</u>

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, 2014, the District's bank balance of \$60,659 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The investments in bonds and common stock of \$21,148,408, have a custodial credit risk exposure because the related securities are uninsured, unregistered, and held by the brokerage firm which is also the counterparty for these securities.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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:

Federal Government	
Categorical aid	\$ 386,860
State Government	
Apportionment	2,536,373
Categorical aid	456,148
Other State sources	390,544
Local Sources	
Interest	12,594
Housing loan-long term receivable	6,590
Student receivables	2,257,277
Other local sources	6,167
Total	<u>\$ 6,052,553</u>

WEST KERN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital Assets Not Being Depreciated			
Land	\$ 1,369,262	\$ -	\$ 1,369,262
Construction in progress	19,701,578	1,608,664	21,310,242
Total Capital Assets Not Being Depreciated	<u>21,070,840</u>	<u>1,608,664</u>	<u>22,679,504</u>
Capital Assets Being Depreciated			
Land and building improvements	3,096,626	53,885	3,150,511
Buildings	67,093,619	3,028,975	70,122,594
Furniture and equipment	8,642,148	20,505	8,662,653
Total Capital Assets Being Depreciated	<u>78,832,393</u>	<u>3,103,365</u>	<u>81,935,758</u>
Total Capital Assets	<u>99,903,233</u>	<u>4,712,029</u>	<u>104,615,262</u>
Less Accumulated Depreciation			
Land and building improvements	832,526	277,231	1,109,757
Buildings	18,619,908	1,603,823	20,223,731
Furniture and equipment	4,839,608	769,724	5,609,332
Total Accumulated Depreciation	<u>24,292,042</u>	<u>2,650,778</u>	<u>26,942,820</u>
Net Capital Assets	<u>\$ 75,611,191</u>	<u>\$ 2,061,251</u>	<u>\$ 77,672,442</u>

Depreciation expense for the year was \$2,650,778.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

Vendors payable	<u>\$ 1,084,913</u>
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Discretely Presented Component Unit

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

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 7 - UNEARNED REVENUE

Unearned revenue consisted of the following:

Federal financial assistance	\$ 1,797,414
State categorical aid	107,820
Enrollment fees	532,113
Total	<u>\$ 2,437,347</u>

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES

On July 17, 2013, the District issued \$4,055,000 of Tax and Revenue Anticipation Notes. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 30, 2014. The District was not required to make any additional payments on the notes.

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.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2014 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	\$ 1,374,057	\$ -	\$ -	\$ 575,000	\$ 799,057	\$ 600,000
2005 Refunding - Current Interest	5,510,000	-	-	-	5,510,000	-
2005 Refunding - Capital Appreciation	3,030,846	182,024	-	975,000	2,237,870	1,015,000
2006 B - Current Interest	385,000	-	-	-	385,000	-
2006 B - Capital Appreciation	16,140,186	823,636	-	125,000	16,838,822	120,000
2007 C - Current Interest	11,235,000	-	-	-	11,235,000	-
2007 C - Capital Appreciation	1,374,344	162,041	-	130,000	1,406,385	160,000
Unamortized premium on bond issuances	2,563,395	-	-	142,722	2,420,673	-
Certificates of participation - 2008	28,205,000	-	-	750,000	27,455,000	780,000
Capital leases	10,430	-	-	10,430	-	-
Other postemployment benefit obligations	1,684,449	-	1,475,535	1,789,937	1,370,047	-
Compensated absences	513,264	-	13,736	-	527,000	-
Total Long-Term Obligations	<u>\$ 72,025,971</u>	<u>\$ 1,167,701</u>	<u>\$ 1,489,271</u>	<u>\$ 4,498,089</u>	<u>\$ 70,184,854</u>	<u>\$ 2,675,000</u>

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.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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			Bonds
				Outstanding July 1, 2013	Accreted/ Issued	Redeemed	Outstanding June 30, 2014
2004 ¹	11/1/2029	2-5.98%	\$ 14,999,058	\$ 1,374,057	\$ -	\$ 575,000	\$ 799,057
2005	11/1/2018	3-5%	12,841,051	8,540,846	182,024	975,000	7,747,870
2006	11/1/2031	3.7-4.86%	12,500,856	16,525,186	823,636	125,000	17,223,822
2007	11/1/2032	3.6-4.68%	12,297,305	12,609,344	162,041	130,000	12,641,385
Total				<u>\$ 39,049,433</u>	<u>\$ 1,167,701</u>	<u>\$ 1,805,000</u>	<u>\$ 38,412,134</u>

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
2015	\$ 600,000	\$ 30,000	\$ 630,000
2025-2029	138,241	2,101,759	2,240,000
2030	60,816	1,059,184	1,120,000
Total	<u>\$ 799,057</u>	<u>\$ 3,190,943</u>	<u>\$ 3,990,000</u>

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

2005 Refunding - Current Interest

The bonds mature through 2019 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ -	\$ 241,150	\$ 241,150
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	<u>\$ 5,510,000</u>	<u>\$ 976,650</u>	<u>\$ 6,486,650</u>

2005 Refunding - Capital Appreciation

The bonds mature through 2016 as follows:

<u>Fiscal Year</u>	<u>Fully Accreted Amount</u>	<u>Long Term Debt Extended Obligation</u>	<u>Unaccrued Obligation</u>
2015	\$ 1,015,000	\$ 903,350	\$ 111,650
2016	1,685,000	1,334,520	350,480
Total	<u>\$ 2,700,000</u>	<u>\$ 2,237,870</u>	<u>\$ 462,130</u>

2006 B - Current Interest

The bonds mature through 2020 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ -	\$ 17,325	\$ 17,325
2016	-	17,325	17,325
2017	-	17,325	17,325
2018	-	17,325	17,325
2019	-	17,325	17,325
2020	385,000	17,325	402,325
Total	<u>\$ 385,000</u>	<u>\$ 103,950</u>	<u>\$ 488,950</u>

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

2006 B - Capital Appreciation

The bonds mature through 2032 as follows:

<u>Fiscal Year</u>	<u>Fully Accreted Amount</u>	<u>Long Term Debt Extended Obligation</u>	<u>Unaccrued Obligation</u>
2015	\$ 120,000	\$ 113,208	\$ 6,792
2016	115,000	96,554	18,446
2017	115,000	85,928	29,072
2018	110,000	73,150	36,850
2019	110,000	65,098	44,902
2020-2024	10,990,000	7,630,166	3,359,834
2025-2029	10,155,000	5,701,226	4,453,774
2030-2032	6,830,000	3,073,492	3,756,508
Total	<u>\$ 28,545,000</u>	<u>\$ 16,838,822</u>	<u>\$ 11,706,178</u>

2007 C - Current Interest

The bonds mature through 2033 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ -	\$ 520,731	\$ 520,731
2016	-	520,731	520,731
2017	-	520,731	520,731
2018	-	520,731	520,731
2019	-	520,731	520,731
2020-2024	745,000	2,593,030	3,338,030
2025-2029	3,490,000	2,171,590	5,661,590
2030-2033	7,000,000	1,051,604	8,051,604
Total	<u>\$ 11,235,000</u>	<u>\$ 8,419,879</u>	<u>\$ 19,654,879</u>

WEST KERN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

2007 C - Capital Appreciation

The bonds mature through 2023 as follows:

Fiscal Year	Fully Accreted Amount	Long Term Debt Extended Obligation	Unaccreted Obligation
2015	\$ 160,000	\$ 150,944	\$ 9,056
2016	195,000	163,722	31,278
2017	225,000	168,120	56,880
2018	255,000	169,575	85,425
2019	290,000	171,622	118,378
2020-2023	1,285,000	582,402	702,598
Total	\$ 2,410,000	\$ 1,406,385	\$ 1,003,615

Certificates of Participation

The certificates mature through 2037 as follows:

2008 Issuance

Fiscal Year	Principal	Total ¹
2015	\$ 780,000	\$ 780,000
2016	815,000	815,000
2017	845,000	845,000
2018	880,000	880,000
2019	925,000	925,000
2020-2024	5,330,000	5,330,000
2025-2029	6,845,000	6,845,000
2030-2034	-	-
2035-2037	11,035,000	11,035,000
Total	\$ 27,455,000	\$ 27,455,000

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

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2014, was \$1,357,624, and contributions made by the District during the year were \$1,694,563. Interest on the net OPEB obligation and the adjustment to the annual required contribution were \$117,911 and \$(95,374), respectively, which resulted in a decrease to the net OPEB obligation of \$314,402. As of June 30, 2014, the net OPEB obligation was \$1,370,047. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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. As of the Actuarial Report, 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 2013-2014, the District contributed \$1,360,119 to the Plan, of which \$796,539 was used for current premiums. Plan members contributed \$26,822 towards their premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (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	117,911
Adjustment to annual required contribution	(95,374)
Annual OPEB cost	<u>1,380,161</u>
Contributions:	
Premiums	796,539
Contributions to Trust	563,580
Interest earnings, net of expenses	334,444
Total contributions	<u>1,694,563</u>
Decrease in net OPEB obligation	(314,402)
Net OPEB obligation, July 1, 2013	1,684,449
Net OPEB obligation, June 30, 2014	<u><u>\$ 1,370,047</u></u>

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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
2014	\$ 1,380,161	\$ 1,694,563	123%	\$ 1,370,047
2013	\$ 1,482,378	\$ 1,580,128	107%	\$ 1,684,449
2012	\$ 1,424,690	\$ 1,364,848	96%	\$ 1,782,199

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

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.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, was 25 years. At February 1, 2013, the Trust held assets in the amount of \$1,779,613. Currently, the Trust holds assets as of June 30, 2014, totaling \$3,217,656.

NOTE 12 - RISK MANAGEMENT

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2014, 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 2013-2014, 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.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 the 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. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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

Due to the implementation of PEPRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. 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 2013-2014 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, 2014, 2013, and 2012, were \$646,269, \$585,107, and \$585,565, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the 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. As a result of PEPRA, changes have been made to the defined benefit pension plan effective January 1, 2013. 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.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Funding Policy

As a result of the implementation of PEPRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. 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 2013-2014 was 11.442 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, 2014, 2013, and 2012, were \$828,842, \$817,229, and \$764,036, 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, 2014, the District made payments of \$166,747, \$2,851,037, and \$99,219 to SISC for its workers' compensation, health and welfare, and property/liability coverage, respectively.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2014.

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.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Construction Commitments

As of June 30, 2014, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Technology Upgrade	\$ 151,953	January 2015
Dorm Repairs	1,272,468	January 2015
Campus Center	11,200,121	June 2017
Total	<u>\$ 12,624,542</u>	

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 NET POSITION

The District's prior year beginning net position has been restated as of June 30, 2014.

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. As a result, the effect on the current fiscal year is as follows:

<u>Primary Government</u>	
Net Position - Beginning	\$ 67,998,469
Restatement, GASB 65 - Elimination of unamortized cost of issuance	<u>(1,897,278)</u>
Net Position - Beginning, as Restated	<u>\$ 66,101,191</u>

REQUIRED SUPPLEMENTARY INFORMATION

WEST KERN COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014**

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

WEST KERN COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2014

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

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Billy White	President	2016
Kal Vaughn	Secretary	2016
Dawn Cole	Member	2014
Michael Long	Member	2014
Manny Campos	Member	2014

ADMINISTRATION

Dena P. Maloney, Ed.D.	Superintendent/President
Mark Williams	Vice-President of Instruction
Darcy Bogle	Vice-President of Student Services
Brock McMurray	Executive 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, 2014**

FEDERAL PROGRAMS	CFDA Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through California Department Education:		
Child and Adult Care Food Program	10.558	\$ 154,006
U.S. DEPARTMENT OF EDUCATION		
Direct Programs:		
HEOA - TPSID Grant	84.407A	423,997
TRIO Student Support Services Grant	84.042A	193,170
Student Financial Aids Cluster:		
SEOG	84.007	38,336
Federal Work Study	84.033	42,791
Pell Grants	84.063	4,157,669
Financial Aid Admin Allowance	84.063	6,160
Subtotal Student Financial Aid Cluster		<u>4,244,956</u>
Passed Through California Department of Education:		
Higher Education Institutional - CEED Grant	84.031S	706,604
Higher Education Institutional - QFS Grant	84.031S	693,133
Higher Education Institutional - Pathways Grant	84.031S	709,767
Subtotal Higher Education grants		<u>2,109,504</u>
Career and Technical Education - Basic Grants	84.048	391,333
Subtotal U.S. Department of Education		<u>7,362,960</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed Through California Department of Health Care Services:		
Medical Administrative Activities	93.778	46,751
Total Federal Programs		<u>\$ 7,563,717</u>

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
GENERAL FUND			
Basic Skills	\$ 90,000	\$ -	\$ 90,000
Cal Grant	246,977	-	246,977
Cal Works	138,731	-	138,731
Care	23,314	-	23,314
Child Development Center	1,582,014	-	1,582,014
Denti-Cal	18,018	-	18,018
Disabled Student Program and Services	244,942	-	244,942
Extended Opportunity Program and Services	239,025	-	239,025
Instructional Equipment and Library	109,713	-	109,713
Lottery	396,187	-	396,187
Other Categorical Allowances:			
Enrollment Fee Admin	34,919	-	34,919
Part-Time Faculty Allocation	52,365	-	52,365
Prop 10 Grant	1,307,211	-	1,307,211
Scheduled Maintenance and Repairs	109,705	-	109,705
Staff Diversity	3,751	-	3,751
Student Financial Aid Administration (SFAA)	151,994	-	151,994
Student Success-Credit	427,904	-	427,904
Student Success-Non-Credit	5,347	-	5,347
Temporary Assistance to Needy Family (TANF) - State allocation	33,954	-	33,954
Total State Programs			

See accompanying note to supplementary information.

Program Revenues				
<u>Cash</u> <u>Received</u>	<u>Accounts</u> <u>Receivable</u>	<u>Unearned</u> <u>Revenue</u>	<u>Total</u> <u>Revenue</u>	<u>Program</u> <u>Expenditures</u>
\$ 90,000	\$ -	\$ -	\$ 90,000	\$ 90,000
246,976	1	-	246,977	246,977
138,731	-	-	138,731	138,731
23,314	-	-	23,314	23,314
1,581,541	473	-	1,582,014	1,582,014
16,018	2,000	-	18,018	18,018
244,942	-	-	244,942	244,942
239,025	-	-	239,025	239,025
109,713	-	-	109,713	101,453
333,761	62,426	-	396,187	379,305
34,919	-	-	34,919	27,312
52,365	-	-	52,365	52,365
915,963	391,248	-	1,307,211	1,307,211
109,705	-	107,820	1,885	1,885
3,751	-	-	3,751	3,751
151,994	-	-	151,994	151,994
427,904	-	-	427,904	427,904
5,347	-	-	5,347	5,347
33,954	-	-	33,954	33,954
<u>\$ 4,759,923</u>	<u>\$ 456,148</u>	<u>\$ 107,820</u>	<u>\$ 5,108,251</u>	<u>\$ 5,075,502</u>

WEST KERN COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2014**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2012 only)			
1. Noncredit	0.74	-	0.74
2. Credit	137.50	-	137.50
B. Summer Intersession (Summer 2013 - Prior to July 1, 2013)			
1. Noncredit	-	-	-
2. Credit	150.91	-	150.91
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	1,133.45	-	1,133.45
(b) Daily Census Contact Hours	51.70	-	51.70
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	60.05	-	60.05
(b) Credit	289.86	-	289.86
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	629.82	-	629.82
(b) Daily Census Contact Hours	157.93	-	157.93
D. Total FTES	<u>2,611.96</u>	<u>-</u>	<u>2,611.96</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	12.68	-	12.68
2. Credit	153.18	-	153.18

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, 2014**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 3,334,323	\$ -	\$ 3,334,323	\$ 3,334,323	\$ -	\$ 3,334,323
Other	1300	2,202,491	-	2,202,491	2,202,491	-	2,202,491
Total Instructional Salaries		5,536,814	-	5,536,814	5,536,814	-	5,536,814
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	1,109,132	-	1,109,132
Other	1400	-	-	-	392,570	-	392,570
Total Noninstructional Salaries		-	-	-	1,501,702	-	1,501,702
Total Academic Salaries		5,536,814	-	5,536,814	7,038,516	-	7,038,516
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	2,946,197	-	2,946,197
Other	2300	-	-	-	361,547	-	361,547
Total Noninstructional Salaries		-	-	-	3,307,744	-	3,307,744
Instructional Aides							
Regular Status	2200	198,170	-	198,170	198,170	-	198,170
Other	2400	30,412	-	30,412	30,412	-	30,412
Total Instructional Aides		228,582	-	228,582	228,582	-	228,582
Total Classified Salaries		228,582	-	228,582	3,536,326	-	3,536,326
Employee Benefits	3000	1,800,785	-	1,800,785	3,832,075	-	3,832,075
Supplies and Material	4000	-	-	-	352,564	-	352,564
Other Operating Expenses	5000	1,309,875	-	1,309,875	3,166,586	-	3,166,586
Equipment Replacement	6420	-	-	-	194,251	-	194,251
Total Expenditures Prior to Exclusions		8,876,056	-	8,876,056	18,120,318	-	18,120,318

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, 2014**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		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	-	-	-	8,206	-	8,206
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	386,684	-	386,684
Objects to Exclude							
Rents and Leases	5060	-	-	-	7,485	-	7,485
Lottery Expenditures					-		-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	775	-	775
Books, Magazines, and Periodicals	4200	-	-	-	292	-	292
Instructional Supplies and Materials	4300	-	-	-	100,838	-	100,838
Noninstructional Supplies and Materials	4400	-	-	-	767	-	767
Total Supplies and Materials		-	-	-	102,672	-	102,672

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, 2014**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 109,629	\$ -	\$ 109,629
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	26,226	-	26,226
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	47,606	-	47,606
Total Equipment		-	-	-	73,832	-	73,832
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	688,508	-	688,508
Total for ECS 84362, 50 Percent Law		\$ 8,876,056	\$ -	\$ 8,876,056	\$ 17,431,810	\$ -	\$ 17,431,810
Percent of CEE (Instructional Salary Cost/Total CEE)		50.92%		50.92%	100.00%		100.00%
50% of Current Expense of Education					\$ 8,715,905		\$ 8,715,905

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, 2014**

Activity Classification	Object Code	Unrestricted			
EPA Proceeds:	8630				\$ 3,061,312
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 3,061,312			\$ 3,061,312
					-
					-
					-
					-
					-
Total Expenditures for EPA		\$ 3,061,312	-	-	\$ 3,061,312
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, 2014**

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

	General Fund- Unrestricted	Parking Fund	Impounds Fund	TIL Fund
FUND BALANCE				
Balance, June 30, 2014, (CCFS-311)	\$ 3,747,456	\$ -	\$ -	\$ 59,876
Post closing adjustments				
Increase in:				
Cash in county treasury	71,540	67,538	4,213,536	-
Accounts receivable	-	57	-	-
Increase in:				
Due to other funds	-	(86)	-	(2,100,000)
Balance, June 30, 2014, Audited	<u>\$ 3,818,996</u>	<u>\$ 67,509</u>	<u>\$ 4,213,536</u>	<u>\$ (2,040,124)</u>

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2014**

**Amounts Reported for Governmental Activities in the Statement
of Net Assets are Different Because:**

Total Fund Balance - All District Funds	\$ 58,005,940
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	\$ 104,615,262
Accumulated depreciation is	<u>(26,942,820)</u> 77,672,442
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	40,832,807
Certificates of Participation	27,455,000
OPEB-GASB 45	<u>1,370,047</u> (69,657,854)
Total Net Position	<u><u>\$ 66,020,528</u></u>

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

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.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

JUNE 30, 2014

Reconciliation of Governmental Funds to the Statement of Net Position

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

INDEPENDENT AUDITOR'S REPORTS



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

Board of Trustees
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 the business-type activities of West Kern Community College District (the District) and its discretely presented component unit as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 13, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 audits, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. 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 2014-001 and 2014-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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 College 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 the responses.

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.

Vannink, Trine, Day & Co, LLP

Fresno, California
January 13, 2015



**INDEPENDENT AUDITOR'S 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, 2014. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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, 2014.

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. 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.

Vannink, Trine, Day & Co., LLP

Fresno, California
January 13, 2015



INDEPENDENT AUDITOR'S 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 December 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, 2014.

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 December 2013.

Auditor's Responsibility

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

Unmodified Opinion for Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2014.

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 430 Schedule Maintenance Program
- Section 431 Gann Limit Calculation
- Section 435 Open Enrollment
- Section 438 Student Fees – Health Fees and Use of Health Fee Funds
- Section 439 Proposition 39 Clean Energy
- Section 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

Vannink, Trini, Day & Co, LLP

Fresno, California
January 13, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WEST KERN COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2014**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

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

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007, 84.033, 84.063</u>	<u>Student Financial Aid Cluster</u>
<u>84.031S</u>	<u>Higher Education programs</u>

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

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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WEST KERN COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2014

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

2014-001 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, the District was not fully prepared for the scheduled final audit visit which severely delayed many of the required audit procedures. The visit is scheduled in advance and detailed listings are sent 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 scheduled to work on during that week. It is very difficult to find sufficient time outside of this scheduled time to review and audit information that was obtained after we have left the college.

Recommendation

In order to improve the audit process 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", the Annual Financial and Budget Report (311) prepared, the fund financial statement summaries prepared and then begin dealing with generating the audit documentation requested. 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 implemented changes to the chart of accounts as of July 1, 2014, in order to improve efficiencies with data capture and report details.
- All adjustments and entries were made timely in the Banner software prior to the CCFS-311 being finalized. This included all bank accounts that were previously carried outside of the District Banner software and 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 the recruitment of a new accountant as of October 10, 2014, the Business Office now has the structure to ensure that future engagements will flow more orderly and timely.

WEST KERN COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2014

2014-002 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 periodically 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, 2014**

None reported.

WEST KERN COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None noted

WEST KERN COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

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

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.

WEST KERN COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

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.

Current Status

Partially implemented. Please see current year Financial Statement Finding 2014-001.

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.

WEST KERN COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

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. Please see current year Financial Statement Finding 2014-002.

ADDITIONAL SUPPLEMENTARY INFORMATION
(UNAUDITED)

WEST KERN COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2014**

	General Fund Unrestricted	General Fund Restricted	Total General Fund
ASSETS			
Cash and investments	\$ 2,680,636	\$ 1,961,517	\$ 4,642,153
Accounts receivable	4,853,422	798,907	5,652,329
Dues from other funds	5,901,280	2,807,323	8,708,603
Prepaid Expenditures	113,763	4,862	118,625
Inventories	-	-	-
TOTAL ASSETS	\$ 13,549,101	\$ 5,572,609	\$ 19,121,710
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 153,061	\$ 219,400	\$ 372,461
Unapplied cash payments	831,078	-	831,078
Compensated Absences	354,502	62,248	416,750
Unearned revenue	532,113	1,905,234	2,437,347
Due to other funds	7,859,351	-	7,859,351
TOTAL LIABILITIES	9,730,105	2,186,882	11,916,987
FUND BALANCES			
Restricted Fund Balance	-	3,380,865	3,380,865
Non-spendable Fund Balance	113,763	4,862	118,625
Uncommitted Fund Balance	3,705,233	-	3,705,233
TOTAL FUND BALANCE	3,818,996	3,385,727	7,204,723
TOTAL LIABILITIES AND FUND BALANCE	\$ 13,549,101	\$ 5,572,609	\$ 19,121,710

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
\$ 2,567,778	\$ 12,411,532	\$ 180,133	\$ 1,423,727	\$ 12,507,988	\$ 16,408,664
-	-	29,119	1,570	386	89
-	-	-	2,836,965	72,854	4,359,689
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,567,778</u>	<u>\$ 12,411,532</u>	<u>\$ 209,252</u>	<u>\$ 4,262,262</u>	<u>\$ 12,581,228</u>	<u>\$ 20,768,442</u>
\$ -	\$ -	\$ 44,309	\$ 9,372	\$ 12,374	\$ -
-	-	-	-	-	-
-	-	45,538	-	-	-
-	-	-	-	-	-
-	-	1,185,838	4,267,931	-	1,000,000
-	-	1,275,685	4,277,303	12,374	1,000,000
2,567,778	12,411,532	(1,066,433)	(15,041)	12,568,854	19,768,442
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,567,778</u>	<u>12,411,532</u>	<u>(1,066,433)</u>	<u>(15,041)</u>	<u>12,568,854</u>	<u>19,768,442</u>
<u>\$ 2,567,778</u>	<u>\$ 12,411,532</u>	<u>\$ 209,252</u>	<u>\$ 4,262,262</u>	<u>\$ 12,581,228</u>	<u>\$ 20,768,442</u>

WEST KERN COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEETS, Continued
JUNE 30, 2014**

	Bookstore Fund	Cafeteria Fund	Revenue Bond Fund
ASSETS			
Cash and investments	\$ 341,978	\$ 15,339	\$ 1,285,160
Accounts receivable	280	3,792	1,415
Dues from other funds	913,420	28,765	92,910
Prepaid Expenditures	201	-	-
Inventories	279,712	22,207	-
TOTAL ASSETS	\$ 1,535,591	\$ 70,103	\$ 1,379,485
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 26,127	\$ 109,249	\$ 492,089
Unapplied cash payments	-	-	-
Compensated Absences	1,119	31,421	-
Unearned revenue	-	-	-
Due to other funds	-	-	-
TOTAL LIABILITIES	27,246	140,670	492,089
FUND BALANCES			
Restricted Fund Balance	1,228,432	(92,774)	887,396
Non-spendable Fund Balance	279,913	22,207	-
Uncommitted Fund Balance	-	-	-
TOTAL FUND BALANCE	1,508,345	(70,567)	887,396
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,535,591	\$ 70,103	\$ 1,379,485

Parking Fund	TIL Fund	Impounds Fund	Total Governmental Funds
\$ 67,538	\$ 347,464	\$ 4,213,526	\$ 56,412,980
57	363,516	-	6,052,553
-	-	-	17,013,206
-	-	-	118,826
-	-	-	301,919
<u>\$ 67,595</u>	<u>\$ 710,980</u>	<u>\$ 4,213,526</u>	<u>\$ 79,899,484</u>

\$ -	\$ 18,932	\$ -	\$ 1,084,913
-	-	-	831,078
-	32,172	-	527,000
-	-	-	2,437,347
86	2,700,000	-	17,013,206
<u>86</u>	<u>2,751,104</u>	<u>-</u>	<u>21,893,544</u>
-	-	-	51,639,051
-	-	-	420,745
67,509	(2,040,124)	4,213,526	5,946,144
<u>67,509</u>	<u>(2,040,124)</u>	<u>4,213,526</u>	<u>58,005,940</u>
<u>\$ 67,595</u>	<u>\$ 710,980</u>	<u>\$ 4,213,526</u>	<u>\$ 79,899,484</u>

WEST KERN COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund Unrestricted	General Fund Restricted	Total General Fund
REVENUES			
Federal sources	\$ -	\$ 7,022,773	\$ 7,022,773
State sources	10,375,879	3,518,949	13,894,828
Local sources	8,933,018	179,865	9,112,883
TOTAL REVENUES	19,308,897	10,721,587	30,030,484
EXPENDITURES			
Certificated salaries	7,212,222	1,203,872	8,416,094
Classified salaries	4,040,669	1,748,280	5,788,949
Employee benefits	4,060,355	997,499	5,057,854
Books and supplies	379,656	407,859	787,515
Services and other operating expenditures	6,705,038	1,544,553	8,249,591
Capital outlay	194,252	299,598	493,850
Other outgoing	171,358	98,275	269,633
TOTAL EXPENDITURES	22,763,550	6,299,936	29,063,486
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,454,653)	4,421,651	966,998
OTHER FINANCING SOURCES (USES)			
Operating transfers in	4,253,597	-	4,253,597
Operating transfers out	(2,157,319)	(4,406,381)	(6,563,700)
Other sources	-	-	-
Other uses	(891)	-	(891)
TOTAL OTHER FINANCING SOURCES (USES)	2,095,387	(4,406,381)	(2,310,994)
NET CHANGE IN FUND BALANCE	(1,359,266)	15,270	(1,343,996)
FUND BALANCES, BEGINNING OF YEAR	5,178,262	3,370,457	8,548,719
FUND BALANCES, END OF YEAR	\$ 3,818,996	\$ 3,385,727	\$ 7,204,723

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	1,735,547	505,780	-	-
-	3,010,951	17,896	14,814	293,030	341,143
-	3,010,951	1,753,443	520,594	293,030	341,143
-	-	181,482	-	-	-
-	-	1,098,427	-	-	-
-	-	471,482	-	-	-
-	-	184,246	7,931	-	-
-	-	79,995	978,672	145,601	-
-	-	7,910	123,488	1,662,834	-
6,860	3,144,490	-	-	-	2,205,266
6,860	3,144,490	2,023,542	1,110,091	1,808,435	2,205,266
(6,860)	(133,539)	(270,099)	(589,497)	(1,515,405)	(1,864,123)
-	-	-	2,100,000	-	-
-	-	-	-	-	-
151,667	-	-	-	-	-
-	-	-	-	-	-
151,667	-	-	2,100,000	-	-
144,807	(133,539)	(270,099)	1,510,503	(1,515,405)	(1,864,123)
2,422,971	12,545,071	(796,334)	(1,525,544)	14,084,259	21,632,565
<u>\$ 2,567,778</u>	<u>\$ 12,411,532</u>	<u>\$ (1,066,433)</u>	<u>\$ (15,041)</u>	<u>\$ 12,568,854</u>	<u>\$ 19,768,442</u>

WEST KERN COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES, Continued
FOR THE YEAR ENDED JUNE 30, 2014**

	Bookstore Fund	Cafeteria Fund	Revenue Bond Fund
REVENUES			
Federal sources	\$ -	\$ -	\$ -
State sources	-	-	-
Local sources	1,028,528	517,617	223,650
TOTAL REVENUES	1,028,528	517,617	223,650
EXPENDITURES			
Certificated salaries	9,724	9,724	-
Classified salaries	180,757	326,941	-
Employee benefits	66,780	137,584	-
Books and supplies	616,384	500,458	9,056
Services and other operating expenditures	102,427	4,625	574,785
Capital outlay	697	-	17,942
Other outgoing	21,120	-	-
TOTAL EXPENDITURES	997,889	979,332	601,783
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	30,639	(461,715)	(378,133)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	152,784	-
Operating transfers out	-	-	-
Other sources	-	-	-
Other uses	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	152,784	-
NET CHANGE IN FUND BALANCE	30,639	(308,931)	(378,133)
FUND BALANCES, BEGINNING OF YEAR	1,477,706	238,364	1,265,529
FUND BALANCES, END OF YEAR	\$ 1,508,345	\$ (70,567)	\$ 887,396

See accompanying note to additional supplementary information.

Parking Fund	TIL Fund	Impounds Fund	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 7,022,773
-	1,401,543	-	17,537,698
316	440,656	32,883	15,034,367
<u>316</u>	<u>1,842,199</u>	<u>32,883</u>	<u>39,594,838</u>
-	112,195	-	8,729,219
-	1,063,323	-	8,458,397
-	408,649	-	6,142,349
1,264	62,757	-	2,169,611
-	150,098	-	10,285,794
-	2,922	-	2,309,643
-	-	-	5,647,369
<u>1,264</u>	<u>1,799,944</u>	<u>-</u>	<u>43,742,382</u>
(948)	42,255	32,883	(4,147,544)
-	-	2,157,319	8,663,700
-	(2,100,000)	-	(8,663,700)
-	-	-	151,667
-	-	-	(891)
<u>-</u>	<u>(2,100,000)</u>	<u>2,157,319</u>	<u>150,776</u>
(948)	(2,057,745)	2,190,202	(3,996,768)
68,457	17,621	2,023,324	62,002,708
<u>\$ 67,509</u>	<u>\$ (2,040,124)</u>	<u>\$ 4,213,526</u>	<u>\$ 58,005,940</u>

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2014

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental 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.