

**WEST KERN
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

WEST KERN COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

JUNE 30, 2018

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	12
Statement of Revenues, Expenses, and Changes in Net Position	13
Statement of Cash Flows	14
Fiduciary Funds	
Statement of Net Position	16
Discretely Presented Component Unit - Taft College Foundation	
Statement of Financial Position	17
Statement of Activities	18
Statement of Cash Flows	19
Notes to Financial Statements	20

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the District's Net OPEB Liability and Related Ratios	59
Schedule of the District's Proportionate Share of the Net Pension Liability	60
Schedule of District Contributions	61
Notes to Required Supplementary Information	62

SUPPLEMENTARY INFORMATION

District Organization	64
Schedule of Expenditures of Federal Awards	65
Schedule of Expenditures of State Awards	66
Schedule of Workload Measures for State General Apportionment Annual (Actual)	
Attendance	67
Reconciliation of <i>Education Code</i> Section 84362 (50 Percent Law) Calculation	68
Proposition 30 Education Protection Account (EPA) Expenditure Report	71
Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements	72
Reconciliation of Governmental Funds to the Statement of Net Position	73
Notes to Supplementary Information	75

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>	78
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	80
Report on State Compliance	82

WEST KERN COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

JUNE 30, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	85
Financial Statement Findings and Recommendations	86
Federal Awards Findings and Questioned Costs	88
State Awards Findings and Questioned Costs	89
Summary Schedule of Prior Audit Findings	90

UNAUDITED SUPPLEMENTARY INFORMATION

Governmental Funds	
Balance Sheets	93
Statements of Revenues, Expenditures, and Changes in Fund Balances	95
Note to Unaudited Supplementary Information	97

FINANCIAL SECTION



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

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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, the aggregate discretely presented component unit (Taft College Foundation), and the aggregate remaining fund information of West Kern Community College District (the District) as of and for the year ended June 30, 2018, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2017-2018 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 11, Schedule of Changes in the District's Net OPEB Liability and Related Ratios on page 59, Schedule of the District's Proportionate Share of the Net Pension Liability on page 60, and the Schedule of District Contributions on page 61, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vannink, Trine, Day & Co, LLP

Fresno, California
January 15, 2019

WEST KERN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018



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, 2018. This analysis is presented with comparative information from the year ended June 30, 2017, as restated due to the implementation of GASB Statement No. 75, 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 Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The District's financial statements are designed to resemble corporate financial models whereby all District activities are consolidated into one set of totals. The focus of the Statement of Net Position is designed to be similar to bottom line results for the District and reflect its financial position at a certain date. This statement combines and consolidates current spendable financial resources with capital assets. The Statement of Revenues, Expenses and Changes in Net Position focuses on the gross costs and the net results of the District's operational activities which are supported mainly by student tuition and fees, as well as grant funded sources. Non-operating revenues such as property taxes and state apportionments make up the primary revenue source for the District. The Statement of Cash Flows provides an analysis of the District's sources and uses of the cash during the fiscal year. This approach is intended to summarize and simplify the user's analysis of costs of various District services to students and the public. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities in relation to its mission have been included.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The California Community College Chancellors Office (CCCCO) calculates total apportionment to be received by the District each year. The calculation consists of establishing a specified full time equivalency (FTE) level for the District and multiplying this total by predetermined amounts per FTE. Total apportionment payment consists of tuition fees, property taxes and state apportionment revenues. The District experienced a slight increase in total apportionment based on a 1.56% statewide inflation adjustments and a 7.1% growth allowance over 2016/2017 FTE base figures. In part, due to unemployment rates in the state and Kern County continuing to calculate higher than the national average and a sustained hold on tuition fee rate increases at the California community college levels, enrollment for the District continues to perform slightly above the funded apportionment rates. The 2017/2018 fiscal year found the District working in a fully budgeted position from the Chancellor's Office with no budgeted deficit coefficient or revenue shortfall calculated in. With the funding, the District was able to maintain a

WEST KERN COMMUNITY COLLEGE DISTRICT

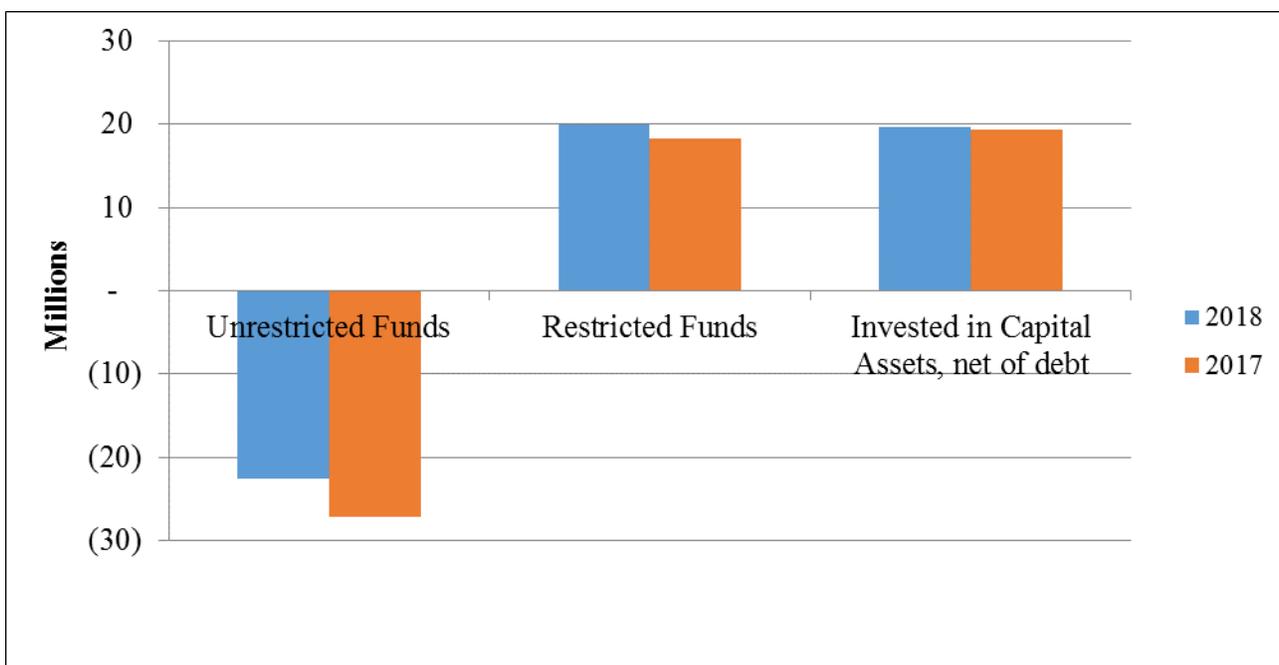
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

stronger 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.

A sign of the improving State economy, the District received another cost of living adjustment (COLA) in 2017/2018. The adjustment represented a 1.56% inflation correction for the year. The COLA increased the District's total adjustment to 5% over the last eight years; a period of time that saw the annual inflation rate increase by 14.8%. Despite these ongoing challenges to catch-up to pre-recession finance levels, the College continues to meet its responsibility for sound financial management, as demonstrated by the statements and schedules included in the financial section of this report.

Comparison of Net Assets



Analysis of Net Assets

Proposition 30, which was passed by the voters in November, 2012, continued to have a steady effect on the funding for the California Community College system (The System). The System calculated the District with FTES growth for 2017/2018. Regular non-operating factors such as deferred pension contribution adjustments for compliance with the Governmental Accounting Standards Board (GASB) led to a decrease in the District's assets. GASB Statement No. 68 addresses accounting and financial reporting for pensions, specifically, those provided to the employees of state and local governmental employers through pension plans that are administered through irrevocable trusts. Restricted Net Assets decreasing due to grant project related deferred revenue being utilized along with the ongoing adjustment of the District's financials to reflect the pension liability defined by GASB 68. The ongoing long-term campus improvements funded by the 2004 Measure A funding is evident in Invested in Capital Assets, net of debt. The District did not incur any additional debt related to the long-term campus improvement construction occurring across campus in 2017/2018.

WEST KERN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Financial Position of the District (Rounded to the nearest thousand)

	Net Assets as of <u>June 30, 2018</u>	Net Assets as of <u>June 30, 2017*</u>	Increase (Decrease) <u>2018-2017</u>
Current Assets			
Cash and Other Assets	\$ 38,585,000	\$ 48,330,000	-20.2%
Non-Current Assets			
Capital Assets, net of depreciation	73,766,000	73,808,000	-.1%
Deferred Outflows of Resources			
Pension activity and changes	<u>9,047,000</u>	<u>6,653,000</u>	<u>36.0%</u>
Total Assets	<u>\$ 121,398,000</u>	<u>\$ 128,791,000</u>	<u>-5.7%</u>
Current Liabilities	\$ 5,762,000	\$ 6,830,000	-15.6%
Non-Current Liabilities	<u>103,255,000</u>	<u>103,544,000</u>	<u>-.3%</u>
Total Liabilities	<u>109,017,000</u>	<u>110,374,000</u>	<u>-1.2%</u>
Deferred Inflows of Resources	2,029,000	1,344,000	51.0%
Net Assets			
Invested in Capital Assets, net of debt	19,335,000	19,667,000	-1.7%
Restricted	18,219,000	19,920,000	-8.5%
Unrestricted	<u>(27,202,000)</u>	<u>(22,514,000)</u>	<u>-20.8%</u>
Total Net Assets	<u>10,352,000</u>	<u>17,073,000</u>	<u>-39.4%</u>
Total Liabilities and Net Assets	<u>\$ 121,398,000</u>	<u>\$ 128,791,000</u>	<u>-5.7%</u>

*As restated due to the implementation of GASB Statements No. 74.

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

Analysis of Current Assets

The District's Assets were reduced by \$9.7 million due to the reclassification of funds designated to meet long-term obligations of the District along with scheduled payments being made on the District's long-term construction project financing and the sun-setting of large federal grants.

Analysis of Capital Assets

As of June 30, 2017, the District recorded \$109.5 million invested in capital assets, \$35.7 million in accumulated depreciation, totaling \$73.8 million recorded in net capital assets. In addition to these investments, the District also increased construction in progress (CIP) by \$2.6 million to \$6.67 million as of June 30, 2017. 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

WEST KERN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

accordingly. In the year ended June 30, 2017, the \$6.67 million listed in CIP was tied to the Student Center project.

Analysis of Liabilities

Current liabilities decreased by \$1.1 million for the year just ended. In comparison of prior years, the change is due to a combination of unearned deferred revenues, current accounts payable liabilities and compensated absences. No new debt was issued for the year just ended.

FINANCIAL ACTIVITIES OF THE DISTRICT (Rounded to the nearest thousand)

	Activities Year ended <u>June 30, 2018</u>	Activities Year ended <u>June 30, 2017</u>	Increase (Decrease) <u>2018-2017</u>
Operating Revenues			
Tuition and fees (less discounts)	\$ 796,000	\$ 826,000	-3.6%
Grants and Contracts	19,760,000	18,015,000	9.7%
Total Operating Revenues	<u>20,556,000</u>	<u>18,841,000</u>	<u>9.1%</u>
Operating Expenses			
Salaries and Benefits	28,961,000	28,741,000	.8%
Supplies, Materials, Depreciation	24,132,000	19,050,000	26.7%
Total Operating Expenses	<u>53,093,000</u>	<u>47,791,000</u>	<u>11.1%</u>
Operating Loss	<u>(32,537,000)</u>	<u>(28,950,000)</u>	<u>12.4%</u>
Non-Operating Revenues (Expenses)			
State Apportionments and Property Taxes	25,935,000	29,336,000	-11.6%
Investments, Other Revenues (Expenses)	(130,000)	2,139,000	-106.1%
Total Non-Operating Revenues (Expenses)	<u>25,805,000</u>	<u>31,475,000</u>	<u>-18.0%</u>
Other Revenues (Expenses)	<u>11,000</u>	<u>935,000</u>	<u>-98.8%</u>
Increase (Decrease) in Net Assets	(6,721,000)	3,460,000	-294.2%
Net Assets, Beginning of Year, Restated	<u>17,073,000</u>	<u>30,056,000</u>	<u>-43.9%</u>
Net Assets, End of Year	<u>\$ 10,352,000</u>	<u>\$ 33,516,000</u>	<u>-69.6%</u>

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

WEST KERN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Operating Results

Operating revenues reflect an increase in enrollment fees due to the timing of payments recognized by the District, as well as maintained levels of financial aid awards to eligible students for the year. Both in-state and non-resident students attending the College grew slightly in 2017/2018 over 2016/2017 levels. Another contributing factor was the fact that residents of California are eligible for a wider variety of educational aid options than non-resident students. Overall, FTE attendance increased to 2,830 in 2017/2018, as compared to 2,640 in 2016/2017.

Salaries decreased by \$723 thousand in 2017/2018 due to the sunset of some major federally funded grants and position turnover. Multiple positions were evaluated as funding sources reduced and/or when positions became vacant. Although position costs reduced in 2017/18, it was netted by the District increased employee benefits costs. Non salary and benefit coded other operating expenses also experienced decrease of approximately \$824 thousand mainly due to the sunset of majorly funded federal grants.

FUNCTIONAL EXPENDITURE CALCULATIONS

In accordance with requirements set forth by the California State System's Office, the District reports operating expenses by object code. Operating expenses by functional classifications are as follows but do not include the impact of the conversion entries posted to convert the modified accrual fund financial statements to the full accrual entity side financial statements except for reporting depreciation expense:

	Salaries and Benefits	Supplies, Material and Other Expenses and Services	Other Outgo	Depreciation	Total
Instructional activities	\$ 11,281,897	\$ 3,279,127	\$ 10,662	\$ -	\$ 14,571,686
Academic support	2,607,287	349,537	-	-	3,019,824
Student services	5,887,554	7,447,619	-	-	13,335,173
Plant operations and maintenance	1,499,778	1,074,212	1,000	-	2,574,990
Instructional support services	2,225,416	1,095,678	-	-	3,321,094
Community Services and economic development	396,499	120,504	-	-	517,003
Ancillary services and auxiliary operations	4,341,599	4,642,932	11,348,055	-	20,332,586
Trust and agency activities	3,830,507	9,205,990	4,671,368	-	17,707,865
Depreciation expense- unallocated	-	-	-	3,270,796	3,270,796
	<u>\$ 27,791,937</u>	<u>\$ 22,572,669</u>	<u>\$ 4,683,030</u>	<u>\$ 3,270,796</u>	<u>\$ 55,047,367</u>

WEST KERN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

SIGNIFICANT ACCOMPLISHMENTS

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 45,000 square feet of facilities 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 Tech Arts project was completed in late 2013 and modernized approximately 10,000 square feet of classroom space used primarily for the instruction of Liberal Arts and Business courses. The most recently completed projects were the Center for Independent Living Facility and a renovation of the dorm facilities. The Center for Independent Living project provides a 20,000 square foot live-in facility with offices and instructional space. Construction was completed in late 2014. Dorm renovations of current facilities began in November, 2013 and were completed in early 2015. The renovations updated the dorm rooms and surrounding areas, improving the on-campus living experience. A new Student Center project housing a new cafeteria, bookstore and student union completed the final steps of the design and approval phase in 2015/2016 and broke ground in fall, 2016. Actual construction began in August 2016. The construction is scheduled to be completed in 2019.

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 21,000. 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 California Proposition 30 (2012) had on the California Community College System over the last few years, the future financial outlook for the College remains conservatively optimistic. The income tax portion of the Proposition was extended through 2030 by the passage of California Proposition 55 in the November, 2016 election, postponing potentially large cutbacks in educational funding. 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

WEST KERN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

unemployment improved to a rate of 4.0% as of June, 2018 as compared to 4.4% for June, 2017. Comparatively, California's rate dropped to 4.1% for June, 2018 compared to 4.5% for the same period in 2017. Unemployment rates in California continue to lag behind the national average, as has been the trend over the last few years. Kern County is experiencing unemployment rates even higher than the average state levels, trending at 8.7% in June 2018, as compared to 9.2% unemployment in June 2017. 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 integration of the Student Centered Funding Formula (SCFF) in 2018/2019, concerns are still present as to how Taft College and the entire California Community College System will be impacted by this change.

Taft College has continued to meet the State's full time equivalent (FTE) workload measures, growing by the funded 7.2% in 2017/2018. The District has experienced just over 9.5% FTE growth over the last 5 years due to course offering adjustments related to increased focus on student needs and success, as well as improved funding. Continuing to improve budgetary modeling and forecasting methods along with a positive economic climate, the College remains committed to responding to increasing course demands by offering additional classes and educational options.

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

	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>
<u>Enrollment</u>	2,540	2,532	2,557	2,640	2,830
% Increase (Decrease)	(1.56%)	(0.31%)	0.99%	3.25%	7.20%

2013 – 2018 (5-year) Average Increase in enrollment: 2.28%

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 Amanda Bauer, Executive 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, 2018

ASSETS

Current Assets

Unrestricted cash and investments	\$ 11,598,366
Restricted cash and investments	23,775,178
Accounts receivable	2,249,422
Student receivables	585,005
Prepaid expenses	122,209
Inventories	254,972
Total Current Assets	<u>38,585,152</u>

Noncurrent Assets

Nondepreciable capital assets	8,141,739
Depreciable capital assets, net of depreciation	65,624,317
Total Noncurrent Assets	<u>73,766,056</u>
TOTAL ASSETS	<u>112,351,208</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pensions	<u>9,046,962</u>
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LIABILITIES

Current Liabilities

Accounts payable	402,986
Compensated absences	425,012
Unearned revenue	1,643,834
Current portion of long-term obligations other than pensions	3,290,000
Total Current Liabilities	<u>5,761,832</u>

Noncurrent Liabilities

Aggregate net pension obligation	29,326,042
Noncurrent portion of long-term obligations other than pensions	73,928,935
Total Noncurrent Liabilities	<u>103,254,977</u>
TOTAL LIABILITIES	<u>109,016,809</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	<u>2,028,518</u>
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NET POSITION

Net investment in capital assets	19,335,291
Restricted for:	
Debt service	17,014,359
Educational programs	1,204,565
Unrestricted	(27,201,372)
TOTAL NET POSITION	<u>\$ 10,352,843</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, 2018**

OPERATING REVENUES	
Student Tuition and Fees	\$ 4,091,278
Less: Scholarship discount and allowance	(3,295,317)
Net tuition and fees	<u>795,961</u>
Grants and Contracts, Noncapital	
Federal	6,915,531
State	12,844,144
Net grants and contracts, noncapital	<u>19,759,675</u>
TOTAL OPERATING REVENUES	<u>20,555,636</u>
OPERATING EXPENSES	
Salaries	18,977,593
Employee benefits	9,982,746
Supplies, materials, and other operating expenses and services	13,273,362
Student financial aid	6,899,471
Equipment, maintenance, and repairs	688,542
Depreciation	3,270,796
TOTAL OPERATING EXPENSES	<u>53,092,510</u>
OPERATING LOSS	<u>(32,536,874)</u>
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	14,930,588
Local property taxes, levied for general purposes	9,345,541
Taxes levied for other specific purposes	997,519
State taxes and other revenues	662,242
Investment income	528,661
Interest expense and issuance costs on capital related debt	(2,291,060)
Investment income on capital asset-related debt, net	19,882
Other nonoperating revenue/expenses	1,613,078
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>25,806,451</u>
INCOME BEFORE OTHER REVENUES	<u>(6,730,423)</u>
OTHER REVENUES	
Local revenues, capital	10,678
CHANGE IN NET POSITION	<u>(6,719,745)</u>
NET POSITION, BEGINNING OF YEAR	33,726,561
PRIOR PERIOD RESTATEMENT	(16,653,973)
NET POSITION, BEGINNING OF YEAR AS RESTATED	<u>17,072,588</u>
NET POSITION, END OF YEAR	<u>\$ 10,352,843</u>

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, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 165,492
Federal and state grants and contracts	19,841,983
Payments to vendors for supplies and services	(14,251,373)
Payments to or on behalf of employees	(27,958,498)
Payments to students for scholarships and grants	(6,899,471)
Auxiliary enterprise sales and charges	(36,529)
Net Cash Flows Used by Operating Activities	(29,138,396)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	14,929,082
Property taxes - nondebt related	10,343,060
State taxes and other apportionments	2,399,707
Other nonoperating revenues/(expenses)	1,732,136
Net Cash Flows From Noncapital Financing Activities	29,403,985

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(3,228,575)
Capital grants received	10,678
Principal paid on capital debt	(3,357,760)
Interest and other costs paid on capital debt	(2,082,866)
Interest received on capital asset-related debt	19,882
Net Cash Flows Used by Capital Financing Activities	(8,638,641)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received from investments	460,565
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NET CHANGE IN CASH AND CASH EQUIVALENTS

(7,912,487)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

43,286,031

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 35,373,544

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

WEST KERN COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2018**

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH
FLOWS FROM OPERATING ACTIVITIES**

Operating Loss	\$ (32,536,874)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation	3,270,796
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables	(82,393)
Inventories	(41,041)
Prepaid expenses	204,994
Accounts payable and accrued liabilities	(1,329,324)
Unearned revenue	291,297
Deferred (inflows)/outflows of resources related to pensions	(1,708,878)
Compensated absences, retiree benefits and pension obligations	2,793,027
Total Adjustments	<u>3,398,478</u>
Net Cash Flows From Operating Activities	<u><u>\$ (29,138,396)</u></u>

NONCASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 785,014</u></u>
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The accompanying notes are an integral part of these financial statements.

WEST KERN COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 161,995
LIABILITIES	
Due to student groups	\$ 161,995

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, 2018

ASSETS

Cash and cash equivalents \$ 3,724,583

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable \$ -

NET ASSETS-Unrestricted

3,724,583

TOTAL LIABILITIES AND NET ASSETS

\$ 3,724,583

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, 2018**

REVENUES

Other income \$ 1,964,577

EXPENDITURES

Services and other operating expenditures-program costs 830,996

NET CHANGE IN NET ASSETS

1,133,581

NET ASSETS, BEGINNING

2,591,002

NET ASSETS, ENDING

\$ 3,724,583

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, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to suppliers	\$ (830,996)
Other Operating Receipts/Payments	<u>1,983,322</u>
Net Cash Provided by Operating Activities	<u>1,152,326</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 1,152,326
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>2,572,257</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u><u>\$ 3,724,583</u></u>

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

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component units:

- 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, 2018

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

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

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

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

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, and No. 39. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - 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, 2018, 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, 2018

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 most 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, 2018

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability and OPEB expense, information about the fiduciary net position of the District Plan and additions to/deductions from the District Plan have been determined on the same basis as they are reported by the District Plan. For this purpose, the District Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid.

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.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, pensions, 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.

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

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$18,225,674 of restricted net position.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

Classification of Expenses - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

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.

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

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

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Foundation Financial Statement Presentation

The 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.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

Change in Accounting Principles

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

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

The District has implemented the provisions of this Statement as of June 30, 2018.

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

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

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

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

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

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

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

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

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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.

WEST KERN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Summary of Deposits and Investments

Deposits and investments of the Primary Government as of June 30, 2018, consist of the following:

Cash on hand and in banks	\$ 2,222,606
Cash in revolving	18,284
Investments	33,132,654
Total Deposits and Investments	<u><u>\$ 35,373,544</u></u>

Deposits and investments of the Fiduciary Funds as of June 30, 2018, consist of the following:

Cash on hand and in banks	<u><u>\$ 161,995</u></u>
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Deposits and investments of the Foundation as of June 30, 2018, consist of the following:

Cash on hand and in banks	\$ 158,655
Investments	3,565,928
Total Deposits and Investments	<u><u>\$ 3,724,583</u></u>

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

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	\$ 872,940	\$ 872,940	\$ -	\$ -	\$ -
U.S. Government					
Agency Securities	3,581,186	999,971	145,838	2,435,377	-
Municipal Bonds	2,880,547	326,793	246,540	2,307,214	-
Corporate Bonds	5,930,541	1,556,990	1,357,945	2,838,897	176,709
Certificates of Deposit	3,652,022	896,369	139,064	2,616,589	-
Kern County Pool	19,460,709	10,302,499	5,970,545	3,187,665	-
Held by Trustee: Master Trusts	106,000	106,000	-	-	-
Total	<u>\$ 36,483,945</u>	<u>\$ 15,061,562</u>	<u>\$ 7,859,932</u>	<u>\$ 13,385,742</u>	<u>\$ 176,709</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	\$ 872,940	N/A	\$ -	\$ -	\$ -	\$ -	\$ 25,031	\$ -	\$ -	\$ 847,909
U.S. Government										
Agency Securities	3,581,186	N/A	-	3,581,186	-	-	-	-	-	-
Municipal Bonds	2,880,547	N/A	1,368,412	340,931	1,171,204	-	-	-	-	-
Corporate Bonds	5,930,541	N/A	346,912	1,149,091	1,342,389	284,349	1,111,051	810,276	834,930	51,543
Certificates of Deposit	3,652,022	N/A	-	-	-	-	-	-	-	3,652,022
Kern County Pool	19,460,709	N/A	-	-	-	-	-	-	-	19,460,709
Held by Trustee:										
Master Trusts	106,000	N/A	-	-	-	-	-	-	-	106,000
Total	<u>\$ 36,483,945</u>		<u>\$ 1,715,324</u>	<u>\$ 5,071,208</u>	<u>\$ 2,513,593</u>	<u>\$ 284,349</u>	<u>\$ 1,136,082</u>	<u>\$ 810,276</u>	<u>\$ 834,930</u>	<u>\$ 24,118,183</u>

N/A - Not Applicable

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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>\$ 2,117,604</u>
Corporate Notes	UBS (Foundation)	<u>\$ 2,586,988</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, 2018, the District's bank balance of \$1,046,407 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 \$16,917,236, 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, 2018

NOTE 4 - FAIR VALUE MEASUREMENTS

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

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

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

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

Uncategorized - Investments in the Kern County Treasury Investment Pool, Master Trusts, and Certificates of Deposit are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2018:

Investment Type	Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Common Stock	\$ 872,940	\$ 872,940	\$ -	\$ -	\$ -
U.S. Government					
Agency Securities	3,581,186	3,581,186	-	-	-
Municipal Bonds	2,880,547	2,880,547	-	-	-
Corporate Bonds	5,930,541	5,930,541	-	-	-
Certificates of Deposit	3,652,022	-	-	-	3,652,022
Kern County Pool	19,460,709	-	-	-	19,460,709
Held by Trustee:					
Master Trusts	106,000	-	-	-	106,000
Total	<u>\$ 36,483,945</u>	<u>\$ 13,265,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,218,731</u>

All assets have been valued using a market approach, with quoted market prices.

WEST KERN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 - ACCOUNTS RECEIVABLE

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

The accounts receivable are as follows:

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 26,103
State Government	
Apportionment	1,506
Categorical aid	826,967
Other State sources	553,925
Local Sources	
Student receivables	585,005
Other local sources	840,921
Total	<u>\$ 2,834,427</u>

WEST KERN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2018, was as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Balance June 30, 2018</u>
Capital Assets Not Being Depreciated			
Land	\$ 1,473,619	\$ -	\$ 1,473,619
Construction in progress	4,022,784	2,645,336	6,668,120
Total Capital Assets Not Being Depreciated	<u>5,496,403</u>	<u>2,645,336</u>	<u>8,141,739</u>
Capital Assets Being Depreciated			
Land and building improvements	8,567,882	57,231	8,625,113
Buildings	85,908,251	-	85,908,251
Furniture and equipment	9,575,155	526,008	10,101,163
Total Capital Assets Being Depreciated	<u>104,051,288</u>	<u>583,239</u>	<u>104,634,527</u>
Total Capital Assets	<u>109,547,691</u>	<u>3,228,575</u>	<u>112,776,266</u>
Less Accumulated Depreciation			
Land and building improvements	2,573,580	536,737	3,110,317
Buildings	25,552,999	2,064,684	27,617,683
Furniture and equipment	7,612,835	669,375	8,282,210
Total Accumulated Depreciation	<u>35,739,414</u>	<u>3,270,796</u>	<u>39,010,210</u>
Net Capital Assets	<u>\$ 73,808,277</u>	<u>\$ (42,221)</u>	<u>\$ 73,766,056</u>

Depreciation expense for the year was \$3,270,796. No additional interest was capitalized during the year and depreciation expense of \$376,204 was recognized for prior capitalized interest.

NOTE 7 - PREPAID EXPENSES

Prepaid expenses at June 30, 2018, consist of the following:

Service agreements and technology	<u>Primary Government</u> <u>\$ 122,209</u>
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WEST KERN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	<u>Primary Government</u>
Vendors payable	\$ 180,911
Salaries and benefits	222,075
Total	<u>\$ 402,986</u>

NOTE 9 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	<u>Primary Government</u>
Federal financial assistance	\$ 227,919
State categorical aid	834,254
Other state sources	20,658
Local sources	561,003
Total	<u>\$ 1,643,834</u>

NOTE 10 - 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, 2018**

NOTE 11 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2018 fiscal year consisted of the following:

	Balance Beginning of Year, as Restated	Additions/ Accreted Interest	Deductions	Balance End of Year	Due in One Year
General obligation bonds:					
2006 B - Capital Appreciation	\$ 551,050	\$ 61,534	\$ 110,000	\$ 502,584	\$ 110,000
2007 C - Current Interest	11,235,000	-	-	11,235,000	-
2007 C - Capital Appreciation	1,310,164	146,660	255,000	1,201,824	290,000
2015 Refunding, Series A	16,995,000	-	-	16,995,000	-
2015 Refunding, Series B	2,715,000	-	-	2,715,000	-
2015 Refunding, Series C	3,655,000	-	1,765,000	1,890,000	1,890,000
Unamortized premium on bond issuances	2,579,820	-	267,760	2,312,060	-
Certificates of participation - 2015	24,740,000	-	960,000	23,780,000	1,000,000
Net other postemployment benefits (OPEB) liability	17,060,740	1,656,498	2,129,771	16,587,467	-
Total Long-Term Obligations	<u>\$ 80,841,774</u>	<u>\$ 1,864,692</u>	<u>\$ 5,487,531</u>	<u>\$ 77,218,935</u>	<u>\$ 3,290,000</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 other postemployment benefit obligations are paid by the General Fund.

Debt Maturity

General Obligation Bonds

Year Issued	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2017	Accreted/ Issued	Redeemed	Outstanding June 30, 2018
2006	11/1/2019	3.7-4.86%	\$ 12,500,856	\$ 551,050	\$ 61,534	\$ 110,000	\$ 502,584
2007	11/1/2032	3.6-4.68%	12,297,305	12,545,164	146,660	255,000	12,436,824
2015	11/1/2031	3.5-5.0%	16,995,000	16,995,000	-	-	16,995,000
2015	11/1/2021	2.0-3.5%	2,715,000	2,715,000	-	-	2,715,000
2015	11/1/2018	5.0%	5,295,000	3,655,000	-	1,765,000	1,890,000
Total				<u>\$ 36,461,214</u>	<u>\$ 208,194</u>	<u>\$ 2,130,000</u>	<u>\$ 34,539,408</u>

WEST KERN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

2006 B - Capital Appreciation

The bonds mature through 2020 as follows:

Fiscal Year	Fully Accreted Amount	Long-Term Debt Extended Obligation	Unaccreted Obligation
2019	\$ 110,000	\$ 103,774	\$ 6,226
2020	475,000	398,810	76,190
Total	\$ 585,000	\$ 502,584	\$ 82,416

2007 C - Current Interest

The bonds mature through 2033 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ -	\$ 520,731	\$ 520,731
2020	-	520,731	520,731
2021	-	520,731	520,731
2022	-	520,731	520,731
2023	250,000	520,731	770,731
2024-2028	3,135,000	2,308,921	5,443,921
2029-2033	7,850,000	1,424,379	9,274,379
Total	\$ 11,235,000	\$ 6,336,955	\$ 17,571,955

2007 C - Capital Appreciation

The bonds mature through 2023 as follows:

Fiscal Year	Fully Accreted Amount	Long-Term Debt Extended Obligation	Unaccreted Obligation
2019	\$ 290,000	\$ 273,586	\$ 16,414
2020	330,000	277,068	52,932
2021	365,000	272,728	92,272
2022	400,000	266,000	134,000
2023	190,000	112,442	77,558
Total	\$ 1,575,000	\$ 1,201,824	\$ 373,176

WEST KERN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

2015 A - Current Interest

The bonds mature through 2032 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2019	\$ -	\$ 696,150	\$ 696,150
2020	-	696,150	696,150
2021	-	696,150	696,150
2022	790,000	696,150	1,486,150
2023	1,455,000	664,550	2,119,550
2024-2028	6,870,000	2,264,800	9,134,800
2029-2032	7,880,000	697,725	8,577,725
Total	<u>\$ 16,995,000</u>	<u>\$ 6,411,675</u>	<u>\$ 23,406,675</u>

2015 B - Current Interest

The bonds mature through 2022 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2019	\$ -	\$ 64,712	\$ 64,712
2020	820,000	64,712	884,712
2021	1,310,000	48,313	1,358,313
2022	585,000	20,475	605,475
Total	<u>\$ 2,715,000</u>	<u>\$ 198,212</u>	<u>\$ 2,913,212</u>

2015 C - Current Interest:

The bonds mature through 2019 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2019	<u>\$ 1,890,000</u>	<u>\$ 94,500</u>	<u>\$ 1,984,500</u>

WEST KERN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Certificates of Participation

2015 Issuance

The certificates mature through 2035 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,000,000	\$ 891,500	\$ 1,891,500
2020	1,035,000	850,800	1,885,800
2021	1,080,000	808,500	1,888,500
2022	1,125,000	758,775	1,883,775
2023	1,180,000	701,150	1,881,150
2024-2028	6,785,000	2,594,775	9,379,775
2029-2033	8,000,000	1,325,619	9,325,619
2034-2035	3,575,000	129,676	3,704,676
Total	<u>\$ 23,780,000</u>	<u>\$ 8,060,795</u>	<u>\$ 31,840,795</u>

Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability and OPEB expense for the following plan:

<u>OPEB Plan</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
District Plan	<u>\$ 16,587,467</u>	<u>\$ (473,273)</u>

The details of the plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

The Benefits Trust Company (BTC) administers the West Kern Community College District's Postemployment Benefits Plan (the Plan). The Plan is a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Financial information for BTC can be found on the BTC website at: <http://www.benefitstrust.org>.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Plan Membership

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	75
Active employees	145
Total	<u>220</u>

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the faculty union, the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District and the groups. For fiscal year 2017-2018, the District contributed \$1,747,490 to the Plan, of which \$1,130,262 was used for current premiums and \$617,228 was used to fund the OPEB Trust.

Net OPEB Liability of the District

The District's net OPEB liability of \$16,587,467 was measured as of June 30, 2018, by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2018, were as follows:

Total OPEB liability	\$ 22,854,432
Plan fiduciary net position	<u>(6,266,965)</u>
District's net OPEB liability	<u>\$ 16,587,467</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>27.42%</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Investment rate of return	6 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4 percent for 2018 and thereafter

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2018, valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

Changes in the Net OPEB Liability

	Net OPEB Liability
Balance at June 30, 2017	\$ 17,060,740
Service cost	287,501
Interest	1,317,275
Actual investment income	(382,281)
Administrative expense	51,722
Contributions-employer	(1,747,490)
Net change in total OPEB liability	(473,273)
Balance at June 30, 2018	<u>\$ 16,587,467</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (5.0%)	\$ 26,712,503
Current discount rate (6.0%)	16,587,467
1% increase (7.0%)	19,838,065

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

<u>Healthcare Cost Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (4.0% decreasing to 3.0%)	\$ 19,788,368
Current discount rate (4.0%)	16,587,467
1% increase (4.0% decreasing to 5.0%)	26,704,108

OPEB Expense related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$(473,273).

NOTE 12 - RISK MANAGEMENT

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2018, 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 2017-2018, 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.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Employee Medical Benefits

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

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 14,597,368	\$ 4,683,898	\$ 1,288,743	\$ 1,638,099
CalPERS	14,728,674	4,363,064	739,775	2,390,390
Total	\$ 29,326,042	\$ 9,046,962	\$ 2,028,518	\$ 4,028,489

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were \$1,296,536.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 14,597,368
State's proportionate share of the net pension liability associated with the District	8,635,680
Total	<u>\$ 23,233,048</u>

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.0158 percent and 0.0164 percent, resulting in a net decrease in the proportionate share of 0.0006 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$1,638,099. In addition, the District recognized pension expense and revenue of \$869,264 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,296,536	\$ -
Net change in proportionate share of net pension liability	629,047	645,373
Difference between projected and actual earnings on pension plan investments	-	388,768
Differences between expected and actual experience in the measurement of the total pension liability	53,982	254,602
Changes of assumptions	2,704,333	-
Total	<u>\$ 4,683,898</u>	<u>\$ 1,288,743</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The deferred inflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2019	\$ (323,197)
2020	244,565
2021	35,265
2022	(345,401)
Total	<u>\$ (388,768)</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 445,251
2020	445,251
2021	445,251
2022	445,251
2023	317,584
Thereafter	388,799
Total	<u>\$ 2,487,387</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 21,433,571
Current discount rate (7.10%)	14,597,368
1% increase (8.10%)	9,049,327

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were \$1,174,531.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$14,728,674. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.0617 percent and 0.0646 percent, resulting in a net decrease in the proportionate share of 0.0029 percent.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

For the year ended June 30, 2018, the District recognized pension expense of \$2,390,390. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,174,531	\$ -
Net change in proportionate share of net pension liability	-	566,363
Difference between projected and actual earnings on pension plan investments	509,511	-
Differences between expected and actual experience in the measurement of the total pension liability	527,667	-
Changes of assumptions	2,151,355	173,412
Total	<u>\$ 4,363,064</u>	<u>\$ 739,775</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2019	\$ (13,806)
2020	587,865
2021	214,461
2022	(279,009)
Total	<u>\$ 509,511</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2019	\$ 598,415
2020	708,641
2021	632,191
Total	<u>\$ 1,939,247</u>

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 21,670,599
Current discount rate (7.15%)	14,728,674
1% increase (8.15%)	8,969,766

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.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2018, which amounted to \$785,014, (8.395 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2018. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of operating revenue and employee benefit expense.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, the District made payments of \$217,313, \$3,998,793, and \$86,583 to SISC for its workers' compensation, health and welfare, and property/liability coverage, respectively.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

Litigation

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

Related Party Transactions

WESTEC

Taft 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 College by WESTEC. WESTEC also has a relation with Taft 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.

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, 2018

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Primary Government	
Net Position - Beginning	\$ 33,516,061
Restatement of long-term obligations for implementation of GASB Statement No. 75	(16,653,973)
Restatement of accounts payable related to debt service	<u>210,500</u>
Net Position - Beginning, as Restated	<u><u>\$ 17,072,588</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

WEST KERN COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 287,501
Interest	1,317,275
Benefit payments	<u>(1,130,262)</u>
Net change in total OPEB liability	474,514
Total OPEB liability - beginning	<u>22,379,918</u>
Total OPEB liability - ending (a)	<u><u>\$ 22,854,432</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 1,747,490
Net investment income	382,281
Benefit payments	(1,130,262)
Administrative expense	<u>(51,722)</u>
Net change in plan fiduciary net position	947,787
Plan fiduciary net position - beginning	<u>5,319,178</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 6,266,965</u></u>
District's net OPEB liability - ending (a) - (b)	<u><u>\$ 16,587,467</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>27.42%</u>
Covered-employee payroll	<u>NA¹</u>
District's total OPEB liability as a percentage of covered-employee payroll	<u>NA¹</u>

¹ The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

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

WEST KERN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
CalSTRS		
District's proportion of the net pension liability	<u>0.0158%</u>	<u>0.0164%</u>
District's proportionate share of the net pension liability	\$ 14,597,368	\$ 13,291,939
State's proportionate share of the net pension liability associated with the District	<u>8,635,680</u>	<u>7,566,863</u>
Total	<u>\$ 23,233,048</u>	<u>\$ 20,858,802</u>
District's covered - employee payroll	<u>\$ 9,350,970</u>	<u>\$ 8,594,138</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>156.11%</u>	<u>154.66%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>69%</u>	<u>70%</u>
CalPERS		
District's proportion of the net pension liability	<u>0.0617%</u>	<u>0.0646%</u>
District's proportionate share of the net pension liability	<u>\$ 14,728,674</u>	<u>\$ 12,767,803</u>
District's covered - employee payroll	<u>\$ 7,947,379</u>	<u>\$ 7,744,982</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>185.33%</u>	<u>164.85%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>74%</u>

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

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
<u>0.0169%</u>	<u>0.0153%</u>
\$ 11,344,264	\$ 8,963,465
<u>5,999,865</u>	<u>5,412,527</u>
<u>\$ 17,344,129</u>	<u>\$ 14,375,992</u>
<u>\$ 8,147,241</u>	<u>\$ 7,833,564</u>
<u>139.24%</u>	<u>114.42%</u>
<u>74%</u>	<u>77%</u>
<u>0.0661%</u>	<u>0.0689%</u>
<u>\$ 9,740,820</u>	<u>\$ 7,820,779</u>
<u>\$ 7,357,701</u>	<u>\$ 7,243,856</u>
<u>132.39%</u>	<u>107.96%</u>
<u>79%</u>	<u>83%</u>

WEST KERN COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>
CalSTRS		
Contractually required contribution	\$ 1,267,629	\$ 1,176,352
Contributions in relation to the contractually required contribution	<u>1,267,629</u>	<u>1,176,352</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 8,784,678</u>	<u>\$ 9,350,970</u>
Contributions as a percentage of covered - employee payroll	<u>14.43%</u>	<u>12.58%</u>
CalPERS		
Contractually required contribution	\$ 1,082,829	\$ 1,103,732
Contributions in relation to the contractually required contribution	<u>1,082,829</u>	<u>1,103,732</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 6,972,049</u>	<u>\$ 7,947,379</u>
Contributions as a percentage of covered - employee payroll	<u>15.531%</u>	<u>13.888%</u>

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

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
\$ 922,151	\$ 723,475
<u>922,151</u>	<u>723,475</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 8,594,138</u>	<u>\$ 8,147,241</u>
<u>10.73%</u>	<u>8.88%</u>
\$ 917,548	\$ 866,075
<u>917,548</u>	<u>866,075</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 7,744,982</u>	<u>\$ 7,357,701</u>
<u>11.847%</u>	<u>11.771%</u>

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the District's Net OPEB Asset and Related Ratios

This schedule presents information on the District's changes in the net OPEB asset, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB asset. In the future, as data becomes available, ten years of information will be presented. There were no changes in benefit terms or assumptions in the current year.

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

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

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

Changes of Assumptions - The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

WEST KERN COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2018

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>
Dawn Cole	President	2018
Manny Campos	Secretary	2018
Billy White	Member	2020
Dr. Kathy Garner Orrin	Member	2020
Michael Long	Member	2018

ADMINISTRATION

Dr. Debra S. Daniels	Superintendent/President
Brock McMurray	Executive Vice-President of Administrative Services
Vacant	Vice-President of Instruction
Severo Balason, Jr.	Vice-President of Student Services
Amanda Bauer	Director of Fiscal Services

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

FEDERAL PROGRAMS	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department Education:			
Child and Adult Care Food Program-current year	10.558	13666	\$ 80,295
Child and Adult Care Food Program-prior year	10.558	13666	35,945
Subtotal U.S. Department of Agriculture			<u>116,240</u>
U.S. DEPARTMENT OF EDUCATION			
Direct Programs:			
TRIO Student Support Services Grant	84.042A		228,358
Student Financial Assistance Cluster:			
Federal Work Study	84.033		62,693
Pell Grants	84.063		5,651,516
Subtotal Student Financial Assistance Cluster			<u>5,714,209</u>
Higher Education Institutional - Pathways Grant	84.031S		199,584
Higher Education Institutional - CEED Grant	84.031S		531,183
Passed Through California Community Colleges Chancellor's Office			
Career and Technical Education - Basic Grants	84.048	15-CO1-008	101,765
Subtotal U.S. Department of Education			<u>6,775,099</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medical Administrative Activities	93.778	10060	24,192
Subtotal U.S. Department of Health & Human Services			<u>24,192</u>
Total Expenditures of Federal Awards			<u><u>\$ 6,915,531</u></u>

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
Adult Education Block Grant	\$ 773,016	\$ 755,100	\$ 1,528,116
Basic Skills	168,391	90,000	258,391
Cal Grant	567,202	300,117	867,319
Cal Works	155,615	157,811	313,426
Care	43,147	41,410	84,557
Child Development Center	1,804,759	2,051,250	3,856,009
Child & Adult Care Food Program	7,236	2,146	9,382
Disabled Student Program and Services	271,940	281,028	552,968
Access to Print & Electronic Information	10,404	10,404	20,808
Deaf & Hard of Hearing	3,056	15,357	18,413
Extended Opportunity Program and Services	372,890	347,229	720,119
Full Time Student Access	287,000	160,360	447,360
Dreamer Grant	14,099	-	14,099
Completion Grant	108,000	-	108,000
Instructional Equipment and Library	81,260	205,993	287,253
Lottery	772,582	567,873	1,340,455
Other Categorical Allowances:			
Enrollment Fee Admin	43,142	44,061	87,203
Part-Time Faculty Allocation	32,471	114,925	147,396
Prop 10 Grant	-	1,090,000	1,090,000
Scheduled Maintenance and Repairs	81,259	205,994	287,253
Staff Diversity	50,000	-	50,000
Student Financial Aid Administration (SFAA)	161,285	156,575	317,860
Student Success-Credit	1,026,749	1,061,576	2,088,325
Student Success-Non-Credit	-	14,894	14,894
Student Success-Equity	437,996	446,935	884,931
Prop 39	-	23,509	23,509
Strong Wrokforce Program	283,165	130,120	413,285
Guided Pathways	125,227	-	125,227
Hunger Free Campus Support	5,546	-	5,546
Rural Technoloyg Assistance Grant	90,000	-	90,000
Zero Textbook Cost Grant (Planning)	15,198	-	15,198
Zero Textbook Cost Grant (Implementation)	-	150,000	150,000
Veteran Resource Center	13,260	-	13,260
Temporary Assistance to Needy Family (TANF)			
- State allocation	32,586	27,657	60,243
Total State Programs			

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
\$ 1,528,116	\$ -	\$ 122,881	\$ 1,405,235	\$ 1,405,235
191,035	-	-	191,035	191,035
566,366	836	-	567,202	567,202
155,615	-	-	155,615	155,615
43,147	-	-	43,147	43,147
1,771,670	-	-	1,771,670	1,771,670
8,117	1,265	2,505	6,877	6,877
271,940	-	-	271,940	271,940
10,404	-	-	10,404	10,404
3,056	-	-	3,056	3,056
372,890	-	-	372,890	372,890
312,000	-	35,500	276,500	276,500
14,099	-	-	14,099	14,099
108,000	-	24,000	84,000	84,000
210,979	-	130,529	80,450	80,450
182,929	589,653	-	772,582	772,582
43,142	-	-	43,142	43,142
32,471	-	-	32,471	32,471
853,381	-	-	853,381	853,381
85,797	-	33,441	52,356	52,356
50,000	-	16,575	33,425	33,425
161,285	-	-	161,285	161,285
1,026,749	-	-	1,026,749	1,026,749
-	-	-	-	-
437,996	-	-	437,996	437,996
23,509	-	-	23,509	23,509
480,392	32,392	115,856	396,928	396,928
125,227	-	125,227	-	-
5,546	-	5,546	-	-
45,000	45,000	90,000	-	-
15,198	-	15,198	-	-
-	150,000	103,736	46,264	46,264
13,260	-	13,260	-	-
24,765	7,821	-	32,586	32,586
<u>\$ 9,174,081</u>	<u>\$ 826,967</u>	<u>\$ 834,254</u>	<u>\$ 9,166,794</u>	<u>\$ 9,166,794</u>

WEST KERN COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2018**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2017 only)			
1. Noncredit	-	-	-
2. Credit	211.77	-	211.77
B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)			
1. Noncredit	-	-	-
2. Credit	148.15	-	148.15
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	1,182.49	-	1,182.49
(b) Daily Census Contact Hours	14.15	-	14.15
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	0.42	-	0.42
(b) Credit	247.56	-	247.56
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	883.74	-	883.74
(b) Daily Census Contact Hours	141.77	-	141.77
D. Total FTES	<u>2,830.05</u>	<u>-</u>	<u>2,830.05</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit	0.42	-	0.42
2. Credit	77.78	-	77.78

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, 2018**

	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	\$ 3,756,527	\$ -	\$ 3,756,527	\$ 3,756,527	\$ -	\$ 3,756,527
Other	1300	2,475,852	-	2,475,852	2,564,418	-	2,564,418
Total Instructional Salaries		6,232,379	-	6,232,379	6,320,945	-	6,320,945
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	1,570,073	-	1,570,073
Other	1400	-	-	-	370,581	-	370,581
Total Noninstructional Salaries		-	-	-	1,940,654	-	1,940,654
Total Academic Salaries		6,232,379	-	6,232,379	8,261,599	-	8,261,599
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	3,128,741	-	3,128,741
Other	2300	-	-	-	401,185	-	401,185
Total Noninstructional Salaries		-	-	-	3,529,926	-	3,529,926
Instructional Aides							
Regular Status	2200	278,673	-	278,673	181,606	-	181,606
Other	2400	64,888	-	64,888	72,228	-	72,228
Total Instructional Aides		343,561	-	343,561	253,834	-	253,834
Total Classified Salaries		343,561	-	343,561	3,783,760	-	3,783,760
Employee Benefits	3000	2,747,438	-	2,747,438	6,048,691	-	6,048,691
Supplies and Material	4000	-	-	-	347,238	-	347,238
Other Operating Expenses	5000	1,413,300	-	1,413,300	3,536,126	-	3,536,126
Equipment Replacement	6420	-	-	-	268	-	268
Total Expenditures Prior to Exclusions		10,736,678	-	10,736,678	21,977,682	-	21,977,682

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, 2018**

	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	\$ 284,603	\$ -	\$ 284,603	\$ 1,135,450	\$ -	\$ 1,135,450
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	83,529	-	83,529
Objects to Exclude							
Rents and Leases	5060	-	-	-	7,160	-	7,160
Lottery Expenditures							
Academic Salaries	1000	-	-	-	600,204	-	600,204
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2018**

	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	\$ -	\$ -	\$ -	\$ -
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		284,603	-	284,603	1,826,343	-	1,826,343
Total for ECS 84362, 50 Percent Law		\$ 10,452,075	\$ -	\$ 10,452,075	\$ 20,151,339	\$ -	\$ 20,151,339
Percent of CEE (Instructional Salary Cost/Total CEE)		51.87%		51.87%	100.00%		100.00%
50% of Current Expense of Education					\$ 10,075,670		\$ 10,075,670

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

**PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA)
EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 3,506,270
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 3,506,270	\$ -	\$ -	\$ 3,506,270
Total Expenditures for EPA		\$ 3,506,270	\$ -	\$ -	\$ 3,506,270
Revenues Less Expenditures					\$ -

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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

	General Fund- Unrestricted	General Fund- Restricted	Bookstore	Cafeteria	Child Development
FUND BALANCE					
Balance, June 30, 2018, (CCFS-311)	\$ 8,531,261	\$ 1,209,579	\$ 1,819,452	\$ 154,532	\$ -
Adjustments to:					
Cash and cash equivalents	986,506	(2,485,743)	356,173	131,141	1,821
Accounts receivable	584,649	(439,504)	24,490	33,534	-
Due from other funds	(1,614,542)	-	(239,245)	(131,141)	-
Prepaid expenses	-	(1)	(58,937)	-	-
Accounts payable	21,537	(18,482)	-	-	-
Due to other funds	184,489	2,987,206	-	-	-
Unearned revenue	17,040	(50,311)	-	-	-
Balance, June 30, 2018, as reported	<u>\$ 8,710,940</u>	<u>\$ 1,202,744</u>	<u>\$ 1,901,933</u>	<u>\$ 188,066</u>	<u>\$ 1,821</u>

	Bond Interest and Redemption	Revenue Bond Capital Projects	Other Special Revenue - TIL	Other Funds Adjusted	
				Parking Fund	Impounds Fund
FUND BALANCE					
Balance, June 30, 2018, (CCFS-311)	\$ 4,158,121	\$ 645,666	\$ (2,309,031)	\$ -	\$ -
Adjustments to:				51,550	2,927,206
Cash and cash equivalents	(188,143)	437,814	30,452	218	-
Accounts receivable	-	7,522	166,348	-	-
Student loans receivable	-	-	(184,489)	-	-
Due from other funds	-	(155,056)	-	-	-
Accounts payable	-	-	210,500	-	-
Balance, June 30, 2018, as reported	<u>\$ 3,969,978</u>	<u>\$ 935,946</u>	<u>\$ (2,086,220)</u>	<u>\$ 51,768</u>	<u>\$ 2,927,206</u>

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2018**

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

Total Fund Balance - All District Funds		\$ 36,113,320
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	\$ 112,776,266	
Accumulated depreciation is	<u>(39,010,210)</u>	73,766,056
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	2,471,067	
Net change in proportionate share of net pension liability	629,047	
Differences between projected and actual earnings on pension plan investments	509,511	
Differences between expected and actual experience in the measurement of the total pension liability.	581,649	
Changes of assumptions	<u>4,855,688</u>	
Total Deferred Outflows of Resources Related to Pensions		9,046,962
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	(1,211,736)	
Differences between projected and actual earnings on pension plan investments	(388,768)	
Differences between expected and actual experience in the measurement of the total pension liability.	(254,602)	
Changes of assumptions	<u>(173,412)</u>	
Total Deferred Outflows of Resources Related to Pensions		(2,028,518)
Net pension liability is not due and payable in the current period and is not reported as a liability in the funds.		(29,326,042)

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION, Continued
JUNE 30, 2018**

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

Bonds payable including premiums	\$ 36,851,468	
Certificates of participation	23,780,000	
Net other postemployment benefits (OPEB) liability	<u>16,587,467</u>	<u>\$ (77,218,935)</u>
Total Net Position		<u><u>\$ 10,352,843</u></u>

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 20182018

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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 Account (EPA) Expenditure Report

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

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

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

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2018

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of West Kern Community College District (the District) as of and for the year ended June 30, 2018, 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 15, 2019.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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 have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Financial Statement Findings and Recommendations as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

West Kern Community College District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying Schedule of Financial Statement Findings and Recommendations. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 15, 2019



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

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 the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2018. 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 Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Vannik, Trine, Day & Co, LLP

Fresno, California
January 15, 2019



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 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2018.

Management's Responsibility

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

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 2017-2018 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 opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted below that were audited for the year ended June 30, 2018.

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

- Section 421 Salaries of Classroom Instructors (50 Percent Law)
- Section 423 Apportionment for Instructional Service Agreements/Contracts
- Section 424 State General Apportionment Funding System
- Section 425 Residency Determination for Credit Courses
- Section 426 Students Actively Enrolled
- Section 427 Dual Enrollment (CCAP and Non-CCAP)
- Section 428 Student Equity
- Section 429 Student Success and Support Program (SSSP) Funds
- Section 430 Schedule Maintenance Program
- Section 431 Gann Limit Calculation
- Section 435 Open Enrollment
- Section 439 Proposition 39 Clean Energy Fund
- Section 440 Intersession Extension Programs
- Section 444 Apprenticeship Related and Supplemental Instruction (RSI) Funds
- Section 475 Disabled Student Programs and Services (DSPS)
- Section 479 To Be Arranged Hours (TBA)
- Section 490 Proposition 1D and 51 State Bond Funded Projects
- Section 491 Education Protection Account Funds

Vannink, Trine, Day & Co, LLP

Fresno, California
January 15, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WEST KERN COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

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 200.516(a) of the Uniform Guidance?	<u>No</u>
Identification of major Federal programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Cluster</u>
84.033, 84.063	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</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, 2018

The following finding represents a significant deficiency related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*.

2018-001 Finding

Criteria or Specific Requirement

Community College Districts should have internal control procedures in place over financial reporting that provide for accurate periodic financial summaries and year-end financial reporting requiring little, if any, restatements of reported financial data between the District's general ledger totals, Form 311 and the audited financial statements.

Condition

As in past years, several "off the general ledger" adjustments were made to the CCFS-311 report although the number of them has decreased. Some posting errors were noted within the general ledger (Banner) system as well as account balances that have been rolling forward for several years causing their ending balances to be incorrect which required corrections.

Differences between the CCFS-311 report filed with the State Chancellors Office and the Audited Financial Statements are reflected in the Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statement contained within the Supplementary Information Section of the Annual Financial Report.

Questioned Costs

There are no questioned costs associated with the condition noted.

Context

The condition impacts periodic and year-end reporting.

Effect

As is reflected in the Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statement contained within the Supplementary Information Section of the Annual Financial Report, numerous adjustments were required to be made between the CCFS-311 report and the audited financial statement totals. Additionally, the basis of financial reporting should be the Districts general ledger system (Banner) however, as mentioned previously, there are balance sheet balances in the system that have rolled over from years past that misstate the ending balance for the current period. Progress has been made in adjusting the balance sheet accounts but some rolling balances are still present mostly involving interfund receivable and payable accounts and accounts receivables and payables. In essence, all general ledger balances should reflect final and correct numbers at any point in time and those balances should be reported in financial summaries and on the annual CCFS-311. Audit adjustments between the CCFS-311 and Audited Financial

WEST KERN COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2018

Statements should be rare as only material differences between the audit and final District figures are adjusted for.

Cause

During the 2016-2017 fiscal year, the Director of Fiscal Services position was vacated and a new Director was hired. The timing of the transition was right during the closing process which complicated the preparation of the District's 311 report for 2016-2017. Staff turnover and possible under-staffing has apparently not provided the Director of Fiscal Services the time or capable staff support to complete the reconciliation and adjustments to the balance sheet accounts. The revenue and expenditure accounts zero out each year but corrections to the balance sheet accounts can impact them.

Recommendation

The Director of Fiscal Services has already discovered and is in the process of correcting/improving on accounting processes within the District. The balance sheet account balances should be closely analyzed and adjusted to current balances. Interfund balances appear to be rolling over from one year to the next and should be closed out against the funds cash balance leaving only those interfund receivables and payables that are valid.

The District's administration should place this as the top priority of the Director of Fiscal Services. Streamlining the processes, correcting those processes that are incomplete or inaccurate and documenting the correct processes is a very time consuming endeavor given the number of areas/account/grants involved but it is imperative that improvements are made.

Corrective Action

Management and the new Director of Fiscal Services realize that current procedures for accounting in all aspects of the District need to be reviewed and adjusted as deemed necessary. Written procedures, checklists and time tables/calendars continue to be developed to ensure a more streamlined and accurate process for financial reporting. The procedures will also hopefully provide for a more efficient accounting process which will not require the amount of manual corrections that have been required over the years.

WEST KERN COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

WEST KERN COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

WEST KERN COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

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 and Recommendations

2017-001 Finding

Criteria or Specific Requirement

Community College Districts should have internal control procedures in place over financial reporting that provide for accurate interim and year-end financial reporting requiring little, in any, restatements of reported financial data between the District's general ledger totals, Form 311 and the audited financial statements.

Condition

As in past years, several "off the general ledger" adjustments were made to the 311 report although the number of them had been steadily decreasing. Numerous accounting errors were noted within the general ledger (Banner) system which required corrections. The new Director found many while numerous others were found during the audit as is reflected in the Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statement contained within the Supplementary Information Section of the Annual Financial Report.

We also noted during our audit that the District bank account reconciliations were not completed timely for closing figures to reflect reconciled bank balances, in which case, the bank balance had to be used.

Questioned Costs

There are no questioned costs associated with the condition noted.

Context

The condition impacts interim financial reporting and year-end actuals reporting.

Effect

As is reflected in the Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statement contained within the Supplementary Information Section of the Annual Financial Report, numerous adjustments were required to be made between the CCFS-311 report and the audited financial statement totals.

WEST KERN COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

Cause

During the 2016-2017 fiscal year, the Director of Fiscal Services position was vacated and a new Director was hired. The timing of the transition was right during the closing process which complicated the preparation of the District's 311 report. Additionally, accounting processes existed in the past which required several manual corrections to the general ledger activity.

Recommendation

It is imperative that all of the adjustments are posted to the general ledger beginning fund balances and other impacted accounts as it appears this was not always past practice. The new Director of Fiscal Services has already discovered and is in the process of correcting/improving on accounting processes within the District. There existed a strong need for this in the past to ensure accurate interim, budget, and final financial reporting. The District's administration should place this as the top priority of the new Director of Fiscal Services. Streamlining the processes, correcting those processes that are incomplete or inaccurate and documenting the correct processes is a very time consuming endeavor given the number of areas/account/grants involved but it is imperative that improvements are made.

Current Status

Partially implemented. See current year findings and recommendations.

UNAUDITED SUPPLEMENTARY INFORMATION

WEST KERN COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2018**

	General Unrestricted	General Restricted	Bookstore	Cafeteria
ASSETS				
Cash and cash equivalents	\$ 6,789,674	\$ 1,672,647	\$ 1,655,179	\$ 133,133
Accounts receivable	550,784	1,122,183	45,019	8,585
Accounts receivable, students	455,824	14,149	34,352	52,297
Due from other funds	1,311,951	-	-	-
Prepaid expenses	39,651	76,143	2,357	-
Inventories	-	-	235,474	19,498
Total Assets	\$ 9,147,884	\$ 2,885,122	\$ 1,972,381	\$ 213,513
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 436,944	\$ 83,389	\$ 70,448	\$ 25,447
Due to other funds	-	-	-	-
Unearned revenue	-	1,598,989	-	-
Total Liabilities	436,944	1,682,378	70,448	25,447
Fund Balances				
Restricted	-	1,202,744	-	-
Unassigned	8,710,940	-	1,901,933	188,066
Total Fund Balances	8,710,940	1,202,744	1,901,933	188,066
Total Liabilities and Fund Balances	\$ 9,147,884	\$ 2,885,122	\$ 1,972,381	\$ 213,513

See accompanying note to unaudited supplementary information.

Child Development	Bond Interest and Redemption	Restricted Purpose Debt Service	Revenue Bond Capital Projects	Capital Outlay Projects	Revenue Bond Construction
\$ 55,295	\$ 3,969,978	\$ 11,780,153	\$ 920,491	\$ 439,158	\$ 4,937,456
25,184	-	4,228	1,946	2,772	6,188
-	-	-	14,502	-	-
-	-	1,260,000	-	-	-
-	-	-	-	4,058	-
-	-	-	-	-	-
<u>\$ 80,479</u>	<u>\$ 3,969,978</u>	<u>\$ 13,044,381</u>	<u>\$ 936,939</u>	<u>\$ 445,988</u>	<u>\$ 4,943,644</u>
\$ 33,813	\$ -	\$ -	\$ 993	\$ 5,549	\$ 119,326
-	-	-	-	-	-
44,845	-	-	-	-	-
<u>78,658</u>	<u>-</u>	<u>-</u>	<u>993</u>	<u>5,549</u>	<u>119,326</u>
1,821	3,969,978	13,044,381	935,946	440,439	4,824,318
-	-	-	-	-	-
<u>1,821</u>	<u>3,969,978</u>	<u>13,044,381</u>	<u>935,946</u>	<u>440,439</u>	<u>4,824,318</u>
<u>\$ 80,479</u>	<u>\$ 3,969,978</u>	<u>\$ 13,044,381</u>	<u>\$ 936,939</u>	<u>\$ 445,988</u>	<u>\$ 4,943,644</u>

WEST KERN COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEETS, Continued
JUNE 30, 2018**

	Parking	Independent Living (TIL)	Impounds	Total Governmental Fund (Memorandum Only)
ASSETS				
Cash and cash equivalents	\$ 51,550	\$ 41,624	\$ 2,927,206	\$ 35,373,544
Accounts receivable	218	482,315	-	2,249,422
Accounts receivable, students	-	13,881	-	585,005
Due from other funds	-	-	-	2,571,951
Prepaid expenses	-	-	-	122,209
Inventories	-	-	-	254,972
Total Assets	\$ 51,768	\$ 537,820	\$ 2,927,206	\$ 41,157,103
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ 52,089	\$ -	827,998
Due to other funds	-	2,571,951	-	2,571,951
Unearned revenue	-	-	-	1,643,834
Total Liabilities	-	2,624,040	-	5,043,783
Fund Balances				
Restricted	-	-	-	24,417,806
Unassigned	51,768	(2,086,220)	2,927,206	11,695,514
Total Fund Balances	51,768	(2,086,220)	2,927,206	36,113,320
Total Liabilities and Fund Balances	\$ 51,768	\$ 537,820	\$ 2,927,206	\$ 41,157,103

See accompanying note to unaudited supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018**

	General Unrestricted	General Restricted	Bookstore
REVENUES			
Federal revenues	\$ -	\$ 6,799,291	\$ -
State revenues	16,860,912	7,646,245	789
Local revenues	9,562,851	518,816	1,147,159
Total Revenues	<u>26,423,763</u>	<u>14,964,352</u>	<u>1,147,948</u>
EXPENDITURES			
Current Expenditures			
Academic salaries	8,618,037	1,621,804	9,461
Classified salaries	4,425,508	1,202,252	197,701
Employee benefits	6,385,322	1,119,971	81,120
Books and supplies	368,575	445,959	651,514
Services and operating expenditures	4,538,864	1,172,235	82,203
Capital outlay	92,426	777,377	345
Debt service - principal	-	-	-
Debt service - interest and other	4,635	-	-
Total Expenditures	<u>24,433,367</u>	<u>6,339,598</u>	<u>1,022,344</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,990,396</u>	<u>8,624,754</u>	<u>125,604</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	(2,396,250)	-	-
Other uses	(276,048)	(7,770,644)	(55,653)
Total Other Financing Sources (Uses)	<u>(2,672,298)</u>	<u>(7,770,644)</u>	<u>(55,653)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(681,902)	854,110	69,951
FUND BALANCES, BEGINNING OF YEAR	9,392,842	348,634	1,831,982
FUND BALANCES, END OF YEAR	<u>\$ 8,710,940</u>	<u>\$ 1,202,744</u>	<u>\$ 1,901,933</u>

See accompanying note to unaudited supplementary information.

<u>Cafeteria</u>	<u>Child Development</u>	<u>Bond Interest and Redemption</u>	<u>Restricted Purpose Debt Service</u>	<u>Revenue Bond Capital Projects</u>	<u>Capital Outlay Projects</u>
\$ -	\$ 116,240	\$ -	\$ -	\$ -	\$ -
789	1,794,080	-	-	-	184,115
335,892	3,495	1,013,007	7,534	248,720	248,948
<u>336,681</u>	<u>1,913,815</u>	<u>1,013,007</u>	<u>7,534</u>	<u>248,720</u>	<u>433,063</u>
9,461	59,916	-	-	-	-
356,154	1,174,820	-	-	20,728	-
166,316	540,727	-	-	8,375	-
417,036	154,022	-	-	7,914	-
6,447	73,966	-	-	123,569	85,295
1,887	349	-	-	535	-
-	-	2,130,000	960,000	-	-
-	-	1,420,219	925,772	-	-
<u>957,301</u>	<u>2,003,800</u>	<u>3,550,219</u>	<u>1,885,772</u>	<u>161,121</u>	<u>85,295</u>
<u>(620,620)</u>	<u>(89,985)</u>	<u>(2,537,212)</u>	<u>(1,878,238)</u>	<u>87,599</u>	<u>347,768</u>
347,638	1,864,123	-	210,000	-	-
-	-	-	-	-	-
-	(124,194)	-	-	-	-
<u>347,638</u>	<u>1,739,929</u>	<u>-</u>	<u>210,000</u>	<u>-</u>	<u>-</u>
(272,982)	1,649,944	(2,537,212)	(1,668,238)	87,599	347,768
461,048	(1,648,123)	6,507,190	14,712,619	848,347	92,671
<u>\$ 188,066</u>	<u>\$ 1,821</u>	<u>\$ 3,969,978</u>	<u>\$ 13,044,381</u>	<u>\$ 935,946</u>	<u>\$ 440,439</u>

WEST KERN COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES, Continued
FOR THE YEAR ENDED JUNE 30, 2018**

	Revenue Bond Construction	Parking	Independent Living (TIL)
REVENUES			
Federal revenues	\$ -	\$ -	\$ -
State revenues	-	-	1,865,794
Local revenues	62,869	1,034	160,995
Total Revenues	<u>62,869</u>	<u>1,034</u>	<u>2,026,789</u>
EXPENDITURES			
Current Expenditures			
Academic salaries	-	-	19,314
Classified salaries	21,600	-	1,240,837
Employee benefits	1,900	-	510,616
Books and supplies	-	1,253	30,825
Services and operating expenditures	883,730	-	186,612
Capital outlay	3,030,332	13,103	763
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	<u>3,937,562</u>	<u>14,356</u>	<u>1,988,967</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,874,693)</u>	<u>(13,322)</u>	<u>37,822</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	184,489
Operating transfers out	-	-	(210,000)
Other uses	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(25,511)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(3,874,693)</u>	<u>(13,322)</u>	<u>12,311</u>
FUND BALANCES, BEGINNING OF YEAR	8,699,011	65,090	(2,098,531)
FUND BALANCES, END OF YEAR	<u>\$ 4,824,318</u>	<u>\$ 51,768</u>	<u>\$ (2,086,220)</u>

See accompanying note to unaudited supplementary information.

<u>Impounds</u>	Total Governmental Fund (Memorandum Only)
\$ -	\$ 6,915,531
-	28,352,724
-	13,311,320
<u>-</u>	<u>48,579,575</u>
-	10,337,993
-	8,639,600
-	8,814,347
-	2,077,098
-	7,152,921
-	3,917,117
-	3,090,000
-	2,350,626
<u>-</u>	<u>46,379,702</u>
-	2,199,873
-	2,606,250
-	(2,606,250)
<u>(2,716,275)</u>	<u>(10,942,814)</u>
<u>(2,716,275)</u>	<u>(10,942,814)</u>
(2,716,275)	(8,742,941)
5,643,481	44,856,261
<u>\$ 2,927,206</u>	<u>\$ 36,113,320</u>

WEST KERN COMMUNITY COLLEGE DISTRICT

NOTE TO UNAUDITED SUPPLEMENTARY INFORMATION JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental activities of the District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the basic financial statements. The information is not a required component of the financial statements in accordance with GASB Statements No. 34 and No. 35 and is presented at the request of the District management.