

WEST KERN COMMUNITY COLLEGE DISTRICT
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FINANCIAL SECTION



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, 2019. This analysis is presented with comparative information from the year ended June 30, 2018 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. Within FY 2018-19 the Taft College and California Community Colleges across the State began to phase in the State mandated Student-Centered Funding Formula that calculates the District's general apportionment. Total apportionment payment consists of tuition fees, property taxes and state apportionment revenues. The District experienced an increase in total apportionment based on implementation of the new statewide funding formula and a statewide inflation adjustment. With the funding, the District was able to maintain a 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.

**WEST KERN COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Analysis of Net Assets

The System calculated the District with FTES growth for 2018/2019. 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 Position increasing 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 the increase 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 2018/2019.

	2019	2018	Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets	\$ 38,685,858	\$ 38,585,152	\$ 100,706
Noncurrent assets	72,467,685	73,766,056	(1,298,371)
Deferred outflows of resources	8,277,517	9,046,962	(769,445)
Total Assets and Deferred Outflows of Resources	119,431,060	121,398,170	(1,967,110)
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	5,920,065	5,336,820	583,245
Noncurrent liabilities	101,029,366	103,679,989	(2,650,623)
Deferred inflows of resources	2,584,467	2,028,518	555,949
Total Liabilities and Deferred Inflows of Resources	109,533,898	111,045,327	(1,511,429)
NET POSITION			
Invested in capital assets, net of related debt	20,020,048	19,335,291	684,757
Restricted	18,635,303	18,218,924	416,379
Unrestricted	(28,758,189)	(27,201,372)	(1,556,817)
Total Net Position	\$ 9,897,162	\$ 10,352,843	\$ (455,681)

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 current assets increased by \$101 thousand 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.

**WEST KERN COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Analysis of Capital Assets

As of June 30, 2019, the District recorded \$114.85 million invested in capital assets, \$42.38 million in accumulated depreciation, totaling \$72.47 million recorded in net capital assets. In addition to these investments, the District also increased construction in progress (CIP) by \$385 thousand to \$8.69 million as of June 30, 2019. The CIP represents the ongoing expenditures of the long-term capital improvement projects related to the District's Facilities Master Plan. As individual projects are completed, they are listed as capital assets and depreciated accordingly. In the year ended June 30, 2019, the \$8.69 million listed in CIP was tied to the Student Center project.

Analysis of Liabilities

Current liabilities increased by \$583 thousand 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

	2019	2018	Change
OPERATING REVENUES			
Tuition and fees	\$ 1,325,362	\$ 795,961	\$ 529,401
Federal and State grants and contracts, noncapital	18,768,552	19,759,675	(991,123)
Total Operating Revenues	20,093,914	20,555,636	(461,722)
OPERATING EXPENSES			
Salaries and benefits	31,279,492	28,960,339	2,319,153
Supplies, materials, and other operating expenses	7,272,741	13,961,904	(6,689,163)
Student financial aid	7,636,516	6,899,471	737,045
Depreciation	3,370,570	3,270,796	99,774
Total Operating Expenses	49,559,319	53,092,510	(3,533,191)
Operating Loss	(29,465,405)	(32,536,874)	3,071,469
NON-OPERATING REVENUES (EXPENSES)			
State apportionments	18,729,695	14,930,588	3,799,107
Property taxes	7,525,980	10,343,060	(2,817,080)
State taxes and other revenues	500,696	662,242	(161,546)
Investment income	145,829	548,543	(402,714)
Interest expense, net	(1,978,505)	(2,291,060)	312,555
Transfer from agency fund	3,580,745	-	3,580,745
Transfer to agency fund	(4,666,612)	-	(4,666,612)
Local grants and other non-operating revenues	3,138,161	1,613,078	1,525,083
Total Non-Operating Revenues (Expenses)	26,975,989	25,806,451	1,169,538
OTHER REVENUES (EXPENSES)			
State and local capital income	399,467	10,678	388,789
Change in Net Position	(2,089,949)	(6,719,745)	4,629,796
NET POSITION, BEGINNING OF YEAR	10,352,843	33,726,561	(23,373,718)
PRIOR PERIOD ADJUSTMENT (SEE NOTE 16)	1,634,268	(16,653,973)	18,288,241
NET POSITION, END OF YEAR	\$ 9,897,162	\$ 10,352,843	\$ (455,681)

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, 2019**

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 2018/2019 over 2017/2018 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 2,909 in 2018/2019, as compared to 2,830 in 2017/2018.

Salaries increased by \$121.8 thousand in 2018/2019 due to positions being filled due to high turnover in the previous year, a 2.71% COLA applied to salaries and an increase in employee benefit costs.

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	\$ 12,551,609	\$ 2,726,237	\$ -	\$ -	\$ 15,277,845
Academic support	1,424,240	270,167	-	-	1,694,408
Student services	6,379,588	764,309	133,357	-	7,277,255
Plant operations and maintenance	5,302,899	2,116,569	-	-	7,419,468
Community Services and economic development	142	137	-	-	279,293
Ancillary services and auxiliary operations	3,577,369	2,151,621	-	-	5,728,991
Trust and agency activities	242,195	11,798,416	4,747,685	-	16,788,296
Depreciation expense-unallocated	-	-	-	496,413	496,413
	\$ 29,478,042	\$ 19,827,456	\$ 44,881,042	\$ 496,413	\$ 54,682,953

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. The District continued construction on the Student Center project. Once completed, the building will house the District's cafeteria, bookstore and student union.

ECONOMIC FACTORS AFFECTING THE FUTURE

Economic Condition

The 735-square-mile West Kern CCD includes Taft, which is located about 40 miles southwest of Bakersfield. The district, which serves about 23,400 residents, operates Taft College, a comprehensive community college that offers a variety of general and specialized instructional programs. It also educates a significant number of students who commute from outside its boundaries. We consider Kern County's income levels good-to-adequate, with median household effective buying income (EBI) and per capita EBI at 94% and 70%, respectively, of the national levels. The county's unemployment rate has historically been higher than the nation's. In 2018, the county reported an unemployment rate of 8%, higher than the state and national levels.

**WEST KERN COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

The district's tax and employment bases are highly concentrated in oil and gas production as well as in electricity generation, given that oil and natural gas deposits in the district are some of the nation's largest. The district's top 10 taxpayers account for about 80% of total AV, which we consider extremely concentrated, and are led by Chevron USA Inc. (26.7%) and California Resources Elk Hills (25.6%). Due to changes in output from these companies and to national oil prices, AV can significantly fluctuate. Over the past five years, the district's AV reached a high of \$14.6 billion in fiscal 2015, and a low of \$6.4 billion in fiscal 2017. Since fiscal 2017, AV has increased by a cumulative 29.9% to \$8.5 billion in fiscal 2020. Despite the fluctuations, the district's market value per capita is \$365,791, which we consider extremely strong.

Prospects for the Future

In general, full-time equivalent (FTE) student counts in California community college systems are typically influenced by employment cycles and tuition rates, the latter of which are set by the state. West Kern CCD, however, is somewhat insulated from employment cycles affecting its FTEs because, when the economy is doing well and the district's large petrochemical companies are hiring, the employers usually seek education and training opportunities provided by the college for its employees. And, similar to other community colleges and institutes of higher learning, there is also a demand for enrollment when the economy is in a downturn and unemployment rates are high. As a result, the District's enrollment increases year-over-year for the past five years, with fiscal 2019 FTEs held relatively flat. Total FTEs budgeted for 2020 is 2,925, up from 2,532 in fiscal 2015. Management reports that it is currently meeting its state FTEs funding level and has been successful in past years of increasing its enrollment through state FTE allotment. 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 District's fiscal outlook currently reflects stability within the educational industry. As of fiscal 2019, the state's new funding formula has decreased the importance of FTEs in the funding calculation and increased the importance of student demographics and performance (although FTEs will still be the greatest factor of importance). Given the District's demographics, the district is expected to benefit from the change in the funding formula. While FTE levels are less meaningful to the funding formula, it still constitutes an important part of the equation and the District expects to continue to monitor these trends for potential impacts. Furthermore, the near-term funding outlook for CCDs remains positive with recent increases to fund higher education within the state. In addition, FTEs could benefit from the California College Promise fee waiver with the state's budget including an additional \$40 million ongoing to cover a second year of enrollment fees for second-year students. As a result of the positive state funding and continued support to provide free education, we believe enrollment and state funding in future years should demonstrate stable growth.

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

	2014-15	2015-16	2016-17	2017-18	2018-19
Enrollment	2,532	2,557	2,640	2,830	2,909
% Increase (Decrease)	(0.31%)	.99%	3.24%	7.20%	2.79%

2015 – 2019 (5-year) Average Increase in enrollment: 14.89%

**WEST KERN COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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, 2019**

ASSETS

Current Assets:	
Cash and investments	\$ 9,847,102
Restricted cash and investments	25,743,438
Accounts receivable, net	2,624,478
Inventory	230,449
Prepaid expenses	236,108
Total Current Assets	<u>38,685,858</u>
Noncurrent Assets:	
Capital assets, net	<u>72,467,685</u>
Total Noncurrent Assets	<u>72,467,685</u>
TOTAL ASSETS	<u><u>111,153,543</u></u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to OPEB	56,371
Deferred outflows related to pensions	8,221,146
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>8,277,517</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 119,431,060</u>

LIABILITIES

Current Liabilities:	
Accounts payable	\$ 1,399,796
Unearned revenue	2,086,117
Long-term debt, current portion	2,434,152
Total Current Liabilities	<u>5,920,065</u>
Noncurrent Liabilities:	
Compensated absences	482,735
Net OPEB liability	16,582,952
Net pension liability	29,232,539
Long-term debt, non-current portion	54,731,140
Total Noncurrent Liabilities	<u>101,029,366</u>
TOTAL LIABILITIES	<u>106,949,431</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	2,584,467
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,584,467</u>

NET POSITION

Net investment in capital assets	20,020,048
Restricted for:	
Debt service	15,433,232
Capital projects	1,435,591
Other special purposes	1,766,480
Unrestricted	<u>(28,758,189)</u>
TOTAL NET POSITION	<u>9,897,162</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 119,431,060</u>

**WEST KERN COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2019**

OPERATING REVENUES	
Tuition and fees	\$ 3,900,051
Less: Scholarship discounts and allowances	(2,574,689)
Net tuition and fees	<u>1,325,362</u>
Grants and Contracts, Noncapital	
Federal	6,559,436
State	12,209,116
TOTAL OPERATING REVENUES	<u>20,093,914</u>
OPERATING EXPENSES	
Salaries	19,099,356
Employee benefits	12,180,136
Supplies, materials, and other operating expenses and services	7,272,741
Student aid	7,636,516
Depreciation	3,370,570
TOTAL OPERATING EXPENSES	<u>49,559,319</u>
OPERATING INCOME (LOSS)	<u>(29,465,405)</u>
NON-OPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	18,729,695
Local property taxes	6,677,309
Taxes levied for other specific purposes	848,671
State taxes and other revenues	500,696
Investment income, noncapital	145,829
Interest expense on capital asset-related debt	(1,978,505)
Transfer from agency funds	3,580,745
Transfer to agency funds	(4,666,612)
Local grants and other non-operating income	3,138,161
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>26,975,989</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>(2,489,416)</u>
Local revenues, capital	399,467
TOTAL OTHER REVENUES	<u>399,467</u>
CHANGE IN NET POSITION	<u>(2,089,949)</u>
NET POSITION, BEGINNING OF YEAR	10,352,843
PRIOR YEAR ADJUSTMENT (SEE NOTE 16)	1,634,268
NET POSITION, END OF YEAR	<u>\$ 9,897,162</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, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 1,226,590
Federal and state grants and contracts	18,452,627
Payments to students	(7,636,516)
Payments to or on behalf of employees	(29,756,554)
Payments to vendors	(6,611,000)
Net Cash Used by Operating Activities	<u>(24,324,853)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State apportionments	18,729,695
Property taxes - non debt related	6,677,309
State taxes and other apportionments	500,696
Local grants and other non-operating revenues	3,748,471
Contributions to trusts	(1,090,150)
Net Cash Provided by Non-capital Financing Activities	<u>28,566,021</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(437,931)
Local property taxes and other revenues for capital purposes	1,248,138
Principal paid on capital debt	(3,652,914)
Interest paid on capital debt	(1,327,294)
Net Cash Provided (Used) by Capital Financing Activities	<u>(4,170,001)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received from investments	<u>145,829</u>
Net Cash Provided by Investing Activities	<u>145,829</u>

NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS

	<u>216,996</u>
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	<u>35,373,544</u>
CASH & CASH EQUIVALENTS, END OF YEAR	<u>\$ 35,590,540</u>

**WEST KERN COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS – PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2019**

RECONCILIATION OF OPERATING LOSS TO NET CASH

USED BY OPERATING ACTIVITIES

Operating loss	\$ (29,465,405)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	3,370,570
Changes in Assets and Liabilities:	
Accounts receivables, net	209,949
Inventory	24,523
Prepaid expenses	(113,899)
Deferred outflows of resources	769,445
Accounts payable and accrued liabilities	532,337
Unearned revenue	(168,027)
Compensated absences	57,723
Net pension liability	(93,503)
Net OPEB liability	(4,515)
Deferred inflows of resources	555,949
Total Adjustments	<u>5,140,552</u>
Net Cash Flows From Operating Activities	<u>\$ (24,324,853)</u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING :

Cash in banks	\$ 9,847,102
Cash equivalents, restricted	25,743,438
Total Cash and Cash Equivalents	<u>\$ 35,590,540</u>

**WEST KERN COMMUNITY COLLEGE DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 213,336
Accounts receivable, net	1,744
Total Assets	<u>215,080</u>
LIABILITIES	
Due to student groups	215,080
Total Liabilities	<u>\$ 215,080</u>

**WEST KERN COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT
TAFT COLLEGE FOUNDATION
STATEMENT OF NET POSITION
JUNE 30, 2019**

	<u>2019</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,503,418
Total current assets	<u>3,503,418</u>
Noncurrent assets:	
FCCC - Bernard Osher Perpetuity	<u>81,000</u>
Total noncurrent assets	<u>81,000</u>
Total assets	<u>\$ 3,584,418</u>
LIABILITIES	
Accounts payable and accrued liabilities	<u>\$ -</u>
Total liabilities	<u>-</u>
NET ASSETS	
Net assets without donor restrictions	47,682
Net assets with donor restrictions	<u>3,536,736</u>
Total Net Assets	<u>3,584,418</u>
Total Liabilities and Net Assets	<u>\$ 3,584,418</u>

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

**WEST KERN COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT
TAFT COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Year Ended June 30, 2019	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE			
Special events	\$ 53,453	\$ -	\$ 53,453
Interest and dividends	160,475	480,141	640,616
Unrealized gain on investments	111,016	-	111,016
Net assets released from restriction	-	-	-
Total Support and Revenue	324,944	480,141	805,085
EXPENSES			
Program	281,049	623,991	905,040
General and administrative	27,136	-	27,136
Fundraising	13,074	-	13,074
Total Expenses	321,259	623,991	945,250
Change in Net Assets	3,685	(143,850)	(140,165)
Net Assets - Beginning of Year	43,997	3,680,586	3,724,583
Net Assets - End of Year	\$ 47,682	\$ 3,536,736	\$ 3,584,418

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, 2019**

Year Ended June 30,	2019
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to suppliers	(945,250)
Other operating receipts/payments	53,453
Net Cash Provided (Used) by Operating Activities	<u>(891,797)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	640,616
Unrealized gain on investments	111,016
FCCC - Bernard Osher Perpetuity	(81,000)
Net cash used in investing activities	<u>670,632</u>
Net Increase (Decrease) in Cash	(221,165)
Cash and Cash Equivalents - Beginning of Year	<u>3,724,583</u>
Cash and Cash Equivalents - End of Year	<u>\$ 3,503,418</u>

WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 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, 2019, 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, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 acquisition value. 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.

**WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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.

**WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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.

WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 \$9,897,162 of total 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:

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.

WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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.

**WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Foundation Financial Statement Presentation

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

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

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

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

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

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

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

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

**WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the District.

GASB 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. The Statement is effective for periods beginning after December 15, 2018.

GASB 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. The Statement is effective for periods beginning after December 15, 2019.

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.

**WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 – DEPOSITS AND INVESTMENTS, continued

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section (ECS) 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

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

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

**WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 – DEPOSITS AND INVESTMENTS, continued

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, consisted of the following:

	Primary Government	Fiduciary Funds	Foundation
Cash on hand and in banks	\$ 736,094	\$ 213,336	\$ 47,440
Cash in revolving	17,022	-	-
Investments	34,837,424	-	3,455,978
Total Deposits and Investments	\$ 35,590,540	\$ 213,336	\$ 3,503,418

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.

California Government Code, Section 53601, limits the District’s investments to maturities of five years. The weighted average days to maturity of the District’s investment of cash in the County treasurer’s investment pool is 581 days.

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

Investment Type	Issuer	Reported Amount
Corporate Notes	Morgan Stanley	\$ 2,054,763
Corporate Notes	UBS (Foundation)	\$ 3,453,686

**WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 – DEPOSITS AND INVESTMENTS, continued

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, 2019, the District's bank balance of \$95,578 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 \$15,814,134, 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.

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.

WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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:

	Primary Government
Federal Government	
Categorical aid	\$ 199,547
State Government	
Apportionment	44,571
Categorical aid	867,733
Other state sources	444,548
Local Sources	
Student receivables	683,777
Other local sources	384,302
Total	<u>\$ 2,624,478</u>

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Adjustment for Restatement	Additions	Deductions	Balance June 30, 2019
Capital Assets not being Depreciated					
Land	\$ 1,473,619	\$ -	\$ -	-	\$ 1,473,619
Construction in progress	6,668,120	1,634,268	385,281	-	8,687,669
Total Capital Assets Not Being Depreciated	<u>8,141,739</u>	<u>1,634,268</u>	<u>385,281</u>	<u>-</u>	<u>10,161,288</u>
Capital Assets Being Depreciated					
Land and building improvements	8,625,113	-	-	-	8,625,113
Buildings	85,908,251	-	-	-	85,908,251
Furniture and equipment	10,101,163	-	52,650	-	10,153,813
Total Capital Assets Being Depreciated	<u>104,634,527</u>	<u>-</u>	<u>52,650</u>	<u>-</u>	<u>104,687,177</u>
Total Capital Assets	<u>112,776,266</u>	<u>1,634,268</u>	<u>437,931</u>	<u>-</u>	<u>114,848,465</u>
Less Accumulated Depreciation					
Land and building improvements	3,110,317	-	531,306	-	3,641,623
Buildings	27,617,683	-	2,094,069	-	29,711,752
Furniture and equipment	8,282,210	-	745,195	-	9,027,405
Total Accumulated Depreciation	<u>39,010,210</u>	<u>-</u>	<u>3,370,570</u>	<u>-</u>	<u>42,380,780</u>
Net Capital Assets	<u>\$ 73,766,056</u>	<u>\$ 1,634,268</u>	<u>\$ (2,932,639)</u>	<u>\$ -</u>	<u>\$ 72,467,685</u>

**WEST KERN COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019**

NOTE 7 – ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government
Vendors payable	\$ 475,409
Salaries and benefits	459,914
Accrued interest	464,473
Total	<u>\$ 1,399,796</u>

NOTE 8 – UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government
Federal financial assistance	\$ 274,891
State categorical aid	639,913
Local sources	1,171,313
Total	<u>\$ 2,086,117</u>

NOTE 9 – INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

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

Interfund Operating Transfers

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

**WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 – LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2019 fiscal year consisted of the following:

	Balance July 1, 2018	Additions	Payments and Reductions	Balance June 30, 2019	Due Within One Year
General obligation bonds	\$ 34,539,408	\$ 186,738	\$ 2,290,000	\$ 32,436,146	\$ 1,007,270
Unamortized bond premium	2,312,060	-	362,914	1,949,146	391,882
Certificates of participation	23,780,000	-	1,000,000	22,780,000	1,035,000
Net OPEB liability	16,587,467	-	4,515	16,582,952	-
Compensated absences	425,013	57,722	-	482,735	-
Total long-term obligations	\$ 77,643,948	\$ 244,460	\$ 3,657,429	\$ 74,230,979	\$ 2,434,152

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

Issuance Date	Interest Yield	Maturity Date	Amount of Original Issue	Bonds Outstanding July 1, 2018	Additions	Redeemed	Bonds Outstanding June 30, 2019	Due Within One Year
12/13/2006	3.70 - 4.36%	11/1/2019	\$ 12,500,856	\$ 502,584	\$ 55,526	\$ 110,000	\$ 448,110	\$ 106,110
10/18/2007	3.68 - 4.68%	11/1/2032	12,297,305	12,436,824	131,212	290,000	12,278,036	81,160
4/16/2015	1.89 - 3.51%	11/1/2031	16,995,000	16,995,000	-	-	16,995,000	-
4/16/2015	2.20 - 2.75%	11/1/2021	2,715,000	2,715,000	-	-	2,715,000	820,000
4/16/2015	1.60%	11/1/2018	5,295,000	1,890,000	-	1,890,000	-	-
Total General Obligation Bonds			\$ 49,803,161	\$ 34,539,408	\$ 186,738	\$ 2,290,000	\$ 32,436,146	\$ 1,007,270

2006 B - Capital Appreciation

The bonds mature through fiscal year 2020 as follows:

Period Ending	Principal	Interest	Accreted Interest	Total
2020	\$ 106,110	\$ -	\$ 368,890	\$ 475,000
Accretion	342,000	-	(342,000)	-
Total	\$ 448,110	\$ -	\$ 26,890	\$ 475,000

WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 – LONG-TERM OBLIGATIONS , continued

2007 C – Current Interest

The bonds mature through fiscal year 2033 as follows:

Fiscal Year	Principal	Interest	Accreted Int.	Total
2020	\$ 81,160	\$ 520,731	\$ 248,840	\$ 850,731
2021	79,891	520,731	285,109	885,731
2022	77,920	520,731	322,080	920,731
2023	282,941	520,731	157,059	960,731
2024	495,000	510,107	-	1,005,107
2025-2029	3,490,000	2,171,594	-	5,661,594
2030-2033	7,000,000	1,051,604	-	8,051,604
Accretion	771,124	-	(771,124)	-
Total	\$ 12,278,036	\$ 5,816,229	\$ 241,964	\$ 18,336,229

2015 A - Refunding

The bonds mature through fiscal year 2032 as follows:

Fiscal Year	Principal	Interest	Total
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	1,565,000	591,800	2,156,800
2025 - 2029	7,375,000	1,925,500	9,300,500
2030 - 2032	5,810,000	445,225	6,255,225
Total	\$ 16,995,000	\$ 5,715,525	\$ 22,710,525

2015 B - Refunding

The bonds mature through fiscal year 2032 as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 820,000	\$ 64,712	\$ 884,712
2021	1,310,000	48,312	1,358,312
2022	585,000	20,475	605,475
Total	\$ 2,715,000	\$ 133,499	\$ 2,848,499

**WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 – LONG-TERM OBLIGATIONS , continued

Certificates of Participation

2015 Issuance

The certificates mature through fiscal year 2035 as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 1,035,000	\$ 20,700	\$ 1,055,700
2021	1,080,000	21,600	1,101,600
2022	1,125,000	28,125	1,153,125
2023	1,180,000	29,500	1,209,500
2024	1,240,000	31,000	1,271,000
2025-2029	7,050,000	133,391	7,183,391
2030-2034	8,250,000	138,448	8,388,448
2035	1,820,000	32,988	1,852,988
Total	\$ 22,780,000	\$ 435,752	\$ 23,215,752

NOTE 11 – POSTEMPLOYMENT BENEFITS

For the fiscal year ended June 30, 2019, the District reported net OPEB liability and OPEB expense for the following plan:

OPEB Plan	Net OPEB Liability (Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 16,582,952	\$ 56,371	\$ -	\$ (60,886)

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>.

	Number of Participants
Inactive Employees Receiving Benefits	75
Active Employees	145
	<u>220</u>

**WEST KERN COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019**

NOTE 11 – POSTEMPLOYMENT BENEFITS, continued

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 2018-2019, 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 \$16,582,952 was measured as of June 30, 2019, by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2019, were as follows:

Total OPEB liability	\$ 23,660,095
Plan fiduciary net position	<u>7,077,143</u>
District's net OPEB liability	<u>\$ 16,582,952</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>29.91%</u>

The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Fiscal year	July 1st to June 30th
Actuarial cost methods	Entry age normal cost method
Inflation rate	2.75%
Investment rate of return	6.00%
Salary Increase	2.75%
Healthcare cost trend rate	4.00%

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

**WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 – POSTEMPLOYMENT BENEFITS, continued

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, 2019, 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

	Increase/(Decrease)		
	Total OPEB Liability (a)	Total Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance July 1, 2018	\$ 22,854,432	\$ 6,266,965	\$ 16,587,467
Changes for the year:			
Service cost	295,407	-	295,407
Interest	1,354,792	-	1,354,792
Employer contributions	-	1,388,436	(1,388,436)
Expected investment income	-	390,716	(390,716)
Investment gains/losses	-	(70,464)	70,464
Administrative expense	-	(53,974)	53,974
Expected benefit payments	(844,536)	(844,536)	-
Net change	805,663	810,178	(4,515)
Balance June 30, 2019	\$ 23,660,095	\$ 7,077,143	\$ 16,582,952

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 1% Lower (5.00%)	Current Discount Rate (6.00%)	Discount Rate 1% Higher (7.00%)
Net OPEB liability	\$ 20,461,659	\$ 16,582,952	\$ 13,534,574

**WEST KERN COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019**

NOTE 11 – POSTEMPLOYMENT BENEFITS, continued

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:

	Trend Rate 1% Lower (3.00%)	Current Trend Rate (4.00%)	Trend Rate 1% Higher (5.00%)
Net OPEB liability	\$ 13,265,100	\$ 16,582,952	\$ 20,750,241

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the District's reported \$56,371 of deferred outflows of resources related to investment gains and losses. The District did not have any deferred inflows of resources as of June 30, 2019.

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 14,093
2021	14,093
2022	14,093
2023	14,092
	<u>\$ 56,371</u>

**WEST KERN COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019**

NOTE 12 – RISK MANAGEMENT

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2019, 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 2018-2019, the District participated in the Self Insured Schools of California I (SISC I) Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

Employee Medical Benefits

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

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer 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, 2019, 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	\$ 14,075,880	\$ 4,191,389	\$ 1,430,797	\$ 1,593,433
CalPERS	15,156,659	4,029,757	1,153,670	2,573,686
Total	\$ 29,232,539	\$ 8,221,146	\$ 2,584,467	\$ 4,167,119

**WEST KERN COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019**

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

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, 2017, 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>.

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, 2019, are summarized as follows:

	STRP Defined Benefit Plan	
	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	16.28%	16.28%
Required state contribution rate	9.328%	9.328%

*The rate imposed on CalSTRS 2% at 62 members assuming no change in the normal cost of benefits.

**WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

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, 2019, are presented above and the District's total contributions were \$1,489,358.

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

At June 30, 2019, 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 the net pension liability	\$	14,075,880
State's proportionate share of the net pension liability associated with the District		<u>8,059,488</u>
Total	\$	<u>22,135,368</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, 2018 and June 30, 2017, respectively was 0.0153 percent and 0.0158 percent, resulting in a net decrease in the proportionate share of 0.0004 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$1,593,433. In addition, the District recognized pension expense and revenue of \$869,264 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	\$ -	\$ 541,888
Differences between expected and actual experience	43,650	204,264
Changes in assumptions	2,186,595	-
Net changes in proportionate share of net pension liability	471,786	684,645
District contributions subsequent to the measurement date	1,489,358	-
Total	<u>\$ 4,191,389</u>	<u>\$ 1,430,797</u>

WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 452,344
2021	249,263
2022	(120,113)
2023	247,805
2024	443,992
Thereafter	(2,057)
	\$ 1,271,234

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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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%

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.

**WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

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, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Cash/Liquidity	2%	-1.00%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
	100%	

*20-year geometric average

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.

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:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	\$ 20,619,518	\$ 14,075,880	\$ 8,650,570

WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees Retirement System (CalPERS)

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, 2017, 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.

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.500%
Required employer contribution rate	18.062%	18.062%

**WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

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, 2019, are presented above and the total District contributions were \$1,398,499.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$15,156,659. The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, respectively was 0.0568 percent and 0.0617 percent, resulting in a net decrease in the proportionate share of 0.0049 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$2,573,686. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	\$ 124,318	\$ -
Differences between expected and actual experience	993,614	-
Changes in assumptions	1,513,326	-
Net changes in proportionate share of net pension liability	-	1,153,670
District contributions subsequent to the measurement date	1,398,499	-
Total	\$ 4,029,757	\$ 1,153,670

WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,244,432
2021	847,905
2022	(343,063)
2023	(271,686)
	\$ 1,477,588

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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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	2.50%
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.

**WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

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	Real Return Years 1 - 10**	Real Return Years 11+***
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
	100%		

*In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

**An expected inflation of 2.0% used for this period

***An expected inflation of 2.92% used for this period

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:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Plan's net pension liability	\$ 22,067,370	\$ 15,156,659	\$ 9,423,234

**WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

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, 2019, 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, 2019. 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.

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, 2019, the District made payments of \$246,794 and \$3,784,187 to SISC for its workers' compensation and health and welfare coverage, respectively. The District also made payments of \$113,094 to SWACC for its property/liability coverage and \$47,659 to Student Insurance for its student liability insurance coverage.

**WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019.

Litigation

The District is not currently a party to any significant 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.

NOTE 16 – PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2019, the District restated beginning net position by \$1,634,268 to recognize construction in progress category capital assets which related to prior periods.

REQUIRED SUPPLEMENTARY INFORMATION

**WEST KERN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
Total OPEB liability		
Service cost	\$ 295,407	\$ 287,501
Interest	1,354,792	1,317,275
Benefit payments	(844,536)	(1,130,262)
Net change in total OPEB liability	805,663	474,514
Total OPEB liability, beginning of year	22,854,432	22,379,918
Total OPEB liability, end of year (a)	\$ 23,660,095	\$ 22,854,432
Plan fiduciary net position		
Employer contributions	\$ 1,388,436	\$ 1,747,490
Expected investment income	390,716	382,281
Investment gains/losses	(70,464)	-
Administrative expense	(53,974)	(51,722)
Expected benefit payments	(844,536)	(1,130,262)
Change in plan fiduciary net position	810,178	947,787
Fiduciary trust net position, beginning of year	6,266,965	5,319,178
Fiduciary trust net position, end of year (b)	\$ 7,077,143	\$ 6,266,965
Net OPEB liability (asset), ending (a) - (b)	\$ 16,582,952	\$ 16,587,467
Covered payroll	N/A*	N/A*
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	30%	27%
Net OPEB liability (asset) as a percentage of covered payroll	N/A*	N/A*

**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 CONTRIBUTIONS – OPEB
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
Actuarially determined contribution	\$ 844,536	\$ 1,130,262
Contributions in relations to the actuarially determined contribution	844,536	1,130,262
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	N/A*	N/A*
Contribution as a percentage of covered-employee payroll	N/A*	N/A*

**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 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

CalSTRS	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.015%	0.016%	0.016%	0.017%	0.015%
District's proportionate share of the net pension liability	\$ 14,075,880	\$ 14,597,368	\$ 13,291,939	\$ 11,344,264	\$ 8,963,465
State's proportionate share of the net pension liability associated with the District	8,059,488	8,635,680	7,566,863	5,999,865	5,412,527
Total	\$ 22,135,368	\$ 23,233,048	\$ 20,858,802	\$ 17,344,129	\$ 14,375,992
District's covered - employee payroll	\$ 8,784,678	\$ 9,350,970	\$ 8,594,138	\$ 8,147,241	\$ 7,833,564
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	160.23%	156.11%	154.66%	139.24%	114.42%
Plan fiduciary net position as a percentage of the total pension liability	71.00%	69.00%	70.04%	74.00%	76.50%
CalPERS	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.057%	0.062%	0.065%	0.066%	0.069%
District's proportionate share of the net pension liability	\$ 15,156,659	\$ 14,728,674	\$ 12,767,803	\$ 9,740,820	\$ 7,820,779
District's covered - employee payroll	\$ 6,972,049	\$ 7,947,379	\$ 7,744,982	\$ 7,357,701	\$ 7,243,856
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	217.39%	185.33%	164.85%	132.39%	107.96%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.90%	73.90%	79.40%	83.50%

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

**WEST KERN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2019**

CaSTRS	Reporting Fiscal Year				
	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 1,489,358	\$ 1,267,629	\$ 1,176,352	\$ 922,151	\$ 723,475
District's contributions in relation to the statutorily required contribution	1,489,358	1,267,629	1,176,352	922,151	723,475
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 9,148,391	\$ 8,784,678	\$ 9,350,970	\$ 8,594,138	\$ 8,147,241
District's contributions as a percentage of covered-employee payroll	16.28%	14.43%	12.58%	10.73%	8.88%

CaPERS	Reporting Fiscal Year				
	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 1,398,499	\$ 1,082,829	\$ 1,103,732	\$ 917,548	\$ 866,075
District's contributions in relation to the statutorily required contribution	1,398,499	1,082,829	1,103,732	917,548	866,075
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 7,742,769	\$ 6,972,049	\$ 7,947,379	\$ 7,744,982	\$ 7,357,701
District's contributions as a percentage of covered-employee payroll	18.06%	15.53%	13.89%	11.85%	11.77%

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

**WEST KERN COMMUNITY COLLEGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. 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 Contributions - OPEB

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.

Schedule of the 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 Contributions - Pensions

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, 2019**

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

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Dawn Cole	President	2022
Emmanuel Campos	Secretary	2022
Billy White	Member	2020
Dr. Kathy Garner Orrin	Member	2020
Michael Long	Member	2022

ADMINISTRATION

Dr. Debra S. Daniels
Superintendent/President

Brock McMurray
Executive Vice-President of Administrative Services

Dr. Leslie Minor
Vice-President of Instruction

Severo Balason, Jr.
Vice-President of Student Services

Amanda Bauer
Director of Fiscal Services

**WEST KERN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
Adult Education Block Grant - AB104	\$ 806,350	\$ 44,222	\$ 850,572
Cal Works	156,756	-	156,756
CARE	48,423	-	48,423
CCAP-GPAP (Implementation)	50,000	-	50,000
CCAP-GPAP (Planning)	12,000	-	12,000
CCC Migrant Bilingual Education	98,159	-	98,159
CCC Technology Center Grant	-	7,214	7,214
CDTC	7,250	4,291	11,541
Child Care Preschool Grant	664,174	-	664,174
Classified Professional Development	24,781	-	24,781
CTE - CVC-OEI (Planning)	2,879	-	2,879
CTE - Strong Workforce Local SW2	115,856	-	115,856
CTE Strong Workforce - Local (SW3)	237,322	-	237,322
CTE Transition Grant	38,572	-	38,572
DSPS	268,799	-	268,799
EOPS	391,994	-	391,994
Faculty / Staff Diversity	50,000	16,575	66,575
Financial Aid + 2% Admin	215,214	-	215,214
Financial Aid Cal Grants	592,159	1,670	593,829
Financial Aid Technology	173,850	-	173,850
Guided Pathways	150,273	125,227	275,500
Hunger Free Campus Support	23,592	5,546	29,138
Instructional Equipment	35,797	-	35,797
Lottery (Restricted)	202,522	-	202,522
Mental Health Services	23,488	-	23,488
Scheduled Maintenance	35,798	33,441	69,239
Strong Workforce - Regional Funding SW3	432,407	-	432,407
Student Equity & Achievement Program	1,639,605	-	1,639,605
Student Success Completion Grant	652,671	59,500	712,171
TANF / Needy Families	32,314	-	32,314
Veteran Resource Center	14,549	13,260	27,809
Zero Textbook Costs Grant - Implementation/Planning	-	103,736	103,736
Subtotal	\$ 7,197,554	\$ 414,682	\$ 7,612,236

**WEST KERN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Program Revenues				Total
Cash	Accounts	Unearned	Total	Program
Received	Receivable	Revenue	Revenue	Expenditures
\$ 850,572	\$ -	\$ -	\$ 850,572	\$ 850,572
156,756	-	-	156,756	156,756
48,423	-	-	48,423	48,423
-	50,000	17,890	32,110	32,110
12,000	-	-	12,000	12,000
83,347	14,812	-	98,159	98,159
7,214	-	-	7,214	7,214
11,541	-	5,470	6,071	6,071
328,807	335,367	-	664,174	664,174
24,781	-	24,781	-	-
2,879	-	-	2,879	2,879
115,856	-	-	115,856	115,856
237,322	-	173,691	63,631	63,631
37,643	929	-	38,572	38,572
268,799	-	-	268,799	268,799
391,994	-	-	391,994	391,994
66,575	-	50,522	16,053	16,053
215,214	-	-	215,214	215,214
566,641	27,188	-	593,829	593,829
173,850	-	124,249	49,601	49,601
275,500	-	202,873	72,627	72,627
29,138	-	13,592	15,546	15,546
35,797	-	-	35,797	35,797
133,761	68,761	-	202,522	202,522
23,488	-	-	23,488	23,488
69,239	-	-	69,239	69,239
352,373	80,034	-	432,407	432,407
1,639,605	-	26,845	1,612,760	1,612,760
712,171	-	-	712,171	712,171
24,559	7,755	-	32,314	32,314
27,809	-	-	27,809	27,809
36,806	66,930	-	103,736	103,736
\$ 6,951,137	\$ 661,098	\$ 639,913	\$ 6,972,322	\$ 6,972,323

**WEST KERN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
FOR THE YEAR ENDED JUNE 30, 2019**

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2018 only)			
1. Noncredit	-	-	-
2. Credit	259.78	-	259.78
B. Summer Intersession (Summer 2019 - Prior to July 1, 2019)			
1. Noncredit	-	-	-
2. Credit	224.34	-	224.34
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	1,125.02	-	1,125.02
(b) Daily Census Contact Hours	10.30	-	10.30
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	-	-	-
(b) Credit	207.68	-	207.68
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	954.93	-	954.93
(b) Daily Census Contact Hours	126.99	-	126.99
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	2,909.04	-	2,909.04
Supplemental Information (subset of above information)			
E. In-service Training Courses	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Credit	37.43	-	37.43
2. Noncredit	-	-	-
Total Basic Skills FTES	37.43	-	37.43

**WEST KERN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2019**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) 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	\$ 4,206,847	\$ -	\$ 4,206,847	\$ 4,206,847	\$ -	\$ 4,206,847
Other	1300	2,646,279	-	2,646,279	2,646,279	-	2,646,279
Total Instructional Salaries		6,853,126	-	6,853,126	6,853,126	-	6,853,126
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	1,254,794	-	1,254,794
Other	1400	-	-	-	327,494	-	327,494
Total Non-Instructional Salaries		-	-	-	1,582,288	-	1,582,288
Total Academic Salaries		6,853,126	-	6,853,126	8,435,414	-	8,435,414
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	3,382,040	-	3,382,040
Other	2300	-	-	-	346,583	-	346,583
Total Non-Instructional Salaries		-	-	-	3,728,623	-	3,728,623
Instructional Aides							
Regular Status	2200	246,281	-	246,281	254,534	-	254,534
Other	2400	68,907	-	68,907	68,907	-	68,907
Total Instructional Aides		315,188	-	315,188	323,441	-	323,441
Total Classified Salaries		315,188	-	315,188	4,052,064	-	4,052,064
Employee Benefits	3000	3,475,045	-	3,475,045	7,488,157	-	7,488,157
Supplies and Materials	4000	-	-	-	237,340	-	237,340
Other Operating Expenses	5000	1,404,059	-	1,404,059	3,364,116	-	3,364,116
Equipment Replacement	6420	-	-	-	130,049	-	130,049
Total Expenditures Prior to Exclusions		12,047,418	-	12,047,418	23,707,140	-	23,707,140
<u>Exclusions</u>							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	242,150	-	242,150	242,150	-	242,150
Std. Health Svcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	968,789	-	968,789
Object to Exclude							
Rents and Leases	5060	-	-	-	35,064	-	35,064
Lottery Expenditures		-	-	-	-	-	-
Academic Salaries	1000	215,506	-	215,506	215,506	-	215,506
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Non-inst. Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
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		\$ 457,656	\$ -	\$ 457,656	\$ 1,461,509	\$ -	\$ 1,461,509
Total for ECS 84362, 50% Law		\$ 11,589,762	\$ -	\$ 11,589,762	\$ 22,245,631	\$ -	\$ 22,245,631
Percent of CEE (Instructional Salary Cost/Total CEE)		52.10%	0.00%	52.10%	100.00%	0.00%	100.00%
50% of Current Expense of Education		\$ -	\$ -	\$ -	\$ 11,122,816	\$ -	\$ 11,122,816

**WEST KERN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2019.

**WEST KERN COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

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

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.

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, 2019.

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.

 WDL, Certified Public Accountants

San Diego, California
November 26, 2019



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
West Kern Community College District
Taft, California

Report on State Compliance

We have audited West Kern Community College District's (the District) compliance with the types of compliance requirements as identified in the *California Community Colleges Contracted District Audit Manual (CDAM) 2018-19*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2019.

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 *California Community Colleges Contracted District Audit Manual (CDAM) 2018-19*, issued by the California Community Colleges Chancellor's Office. 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.

Opinion of State Compliance

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, 2019.

Procedures Performed

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 Activities Funded From Other Sources
- 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 430 – Scheduled Maintenance Program
- Section 431 – Gann Limit Calculation
- Section 435 – Open Enrollment
- Section 439 – Proposition 39 Clean Energy Fund
- 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

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *California Community Colleges Contracted District Audit Manual (CDAM) 2018-19*. Accordingly, this report is not suitable for any other purpose

CWDL, Certified Public Accountants

San Diego, California
November 26, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**WEST KERN COMMUNITY COLLEGE DISTRICT
SUMMARY OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section I – Schedule of Audit Findings and Questioned Costs

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
<u>84.007, 84.033, 84.063</u>	<u>Student Financial Aid Cluster</u>

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

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Noted</u>
Type of auditors' report issued on compliance for State programs:	<u>Unmodified</u>

**WEST KERN COMMUNITY COLLEGE DISTRICT
FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

There were no financial statement findings or questioned costs identified during 2018-19.

**WEST KERN COMMUNITY COLLEGE DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by the Uniform Guidance (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs identified during 2018-19.

**WEST KERN COMMUNITY COLLEGE DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section IV – State Award Findings and Questioned Costs

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs identified during 2018-19.

**WEST KERN COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-001 – FINANCIAL REPORTING

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

**WEST KERN COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

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

Status in Current Year

Implemented.

UNAUDITED SUPPLEMENTARY INFORMATION

**WEST KERN COMMUNITY COLLEGE DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2019**

	General Unrestricted	General Restricted	Bond Interest and Redemption	Restricted Purpose Debt Service	Bookstore	Cafeteria	Child Development
ASSETS							
Cash and equivalents	\$ 4,751,926	\$ 4,658,818	\$ 2,423,519	\$ 13,006,985	\$ 1,568,669	\$ 274,303	\$ 87,745
Accounts receivable, net	830,744	726,550	1,650	1,078	44,228	69,770	463,134
Inventory	-	-	-	-	208,308	22,141	-
Prepaid assets	181,776	51,179	-	-	1,907	-	-
Due from other funds	4,167,528	157,566	-	-	139,075	75,926	406,500
Total Assets	\$ 9,931,974	\$ 5,594,113	\$ 2,425,169	\$ 13,008,063	\$ 1,962,187	\$ 442,140	\$ 957,379
LIABILITIES							
Accounts payable	\$ 515,901	\$ 220,848	\$ -	\$ -	\$ 70,749	\$ 16,162	\$ 34,220
Deferred revenue	117,794	1,928,142	-	-	-	-	40,181
Compensated absences	330,358	30,335	-	-	11,954	22,464	28,343
Due to other funds	1,475,796	2,062,866	-	-	-	30	488,489
Total Liabilities	2,439,849	4,242,191	-	-	82,703	38,656	591,233
FUND EQUITY							
Restricted	-	1,351,922	2,425,169	13,008,063	-	-	366,146
Unassigned	7,492,125	-	-	-	1,879,484	403,484	-
Total Fund Equity	7,492,125	1,351,922	2,425,169	13,008,063	1,879,484	403,484	366,146
Total Liabilities and Fund Equity	\$ 9,931,974	\$ 5,594,113	\$ 2,425,169	\$ 13,008,063	\$ 1,962,187	\$ 442,140	\$ 957,379

**WEST KERN COMMUNITY COLLEGE DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2019**

	Revenue Bond Capital Projects	Parking Fund	Independent Living (TIL)	Impounds	Capital Outlay Projects	Revenue Bond Construction	Total
ASSETS							
Cash and equivalents	\$ 343,067	\$ 46,851	\$ 1,151,722	\$ 2,053,631	\$ 505,649	\$ 4,717,655	\$ 35,590,540
Accounts receivable, net	26,883	315	451,959	-	3,408	4,759	2,624,478
Inventory	-	-	-	-	-	-	230,449
Prepaid assets	-	1,246	-	-	-	-	236,108
Due from other funds	581,669	-	131,824	-	4,283	-	5,664,371
Total Assets	\$ 951,619	\$ 48,412	\$ 1,735,505	\$ 2,053,631	\$ 513,340	\$ 4,722,414	\$ 44,345,946
LIABILITIES							
Accounts payable	\$ 1,529	\$ -	\$ 50,111	\$ -	\$ -	\$ 25,803	\$ 935,323
Deferred revenue	-	-	-	-	-	-	2,086,117
Compensated absences	3,520	-	55,761	-	-	-	482,735
Due to other funds	3,275	-	1,629,632	-	-	-	5,660,088
Total Liabilities	8,324	-	1,735,504	-	-	25,803	9,164,263
FUND EQUITY							
Restricted	943,295	48,412	-	-	513,340	4,696,611	23,352,958
Unassigned	-	-	1	2,053,631	-	-	11,828,725
Total Fund Equity	943,295	48,412	1	2,053,631	513,340	4,696,611	35,181,683
Total Liabilities and Fund Equity	\$ 951,619	\$ 48,412	\$ 1,735,505	\$ 2,053,631	\$ 513,340	\$ 4,722,414	\$ 44,345,946

**WEST KERN COMMUNITY COLLEGE DISTRICT
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	General Unrestricted	General Restricted	Bond Interest and Redemption	Restricted Purpose Debt Service	Bookstore	Cafeteria	Child Development
REVENUES							
Federal	\$ -	\$ 6,559,436	\$ -	\$ -	\$ -	\$ -	\$ -
State	20,622,630	6,720,325	-	-	-	7,467	1,898,245
Local	8,221,352	243,258	848,671	276,846	1,100,444	623,622	28,033
Total Revenues	28,843,982	13,523,019	848,671	276,846	1,100,444	631,089	1,926,278
EXPENDITURES							
Academic salaries	8,804,061	1,653,749	-	-	9,717	9,716	40,064
Classified salaries	4,559,875	1,026,705	-	-	199,984	342,822	1,061,554
Employee benefits	7,847,801	1,216,164	-	-	99,552	191,492	550,575
Supplies and materials	292,572	237,973	-	-	565,432	404,011	140,362
Other operating expenses	3,572,655	530,109	-	-	202,202	13,722	97,431
Capital outlay	541,239	186,865	-	-	171	677	-
Debt Service - Principal	105,128	7,838	2,581,624	1,891,152	-	-	31,552
Total Expenditures	25,723,331	4,859,403	2,581,624	1,891,152	1,077,058	962,440	1,921,538
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,120,651	8,663,616	(1,732,953)	(1,614,306)	23,386	(331,351)	4,740
OTHER FINANCING SOURCES (USES)							
Operating transfer in	(413,339)	-	-	1,478,000	-	327,919	-
Operating transfer out	(2,708,373)	(877,923)	-	(348)	-	-	-
Other uses	-	(7,636,515)	-	-	(45,835)	-	-
Total Other Financing Sources (Uses)	(3,121,712)	(8,514,438)	-	1,477,652	(45,835)	327,919	-
NET CHANGE IN FUND BALANCE	(1,061)	149,178	(1,732,953)	(136,654)	(22,449)	(3,432)	4,740
FUND BALANCE - BEGINNING	8,710,940	1,202,744	3,969,978	13,044,381	1,901,933	188,066	1,821
FUND BALANCE ADJUSTMENTS	(1,217,754)	-	188,144	100,336	-	218,850	359,585
FUND BALANCE - ENDING	\$ 7,492,125	\$ 1,351,922	\$ 2,425,169	\$ 13,008,063	\$ 1,879,484	\$ 403,484	\$ 366,146

**WEST KERN COMMUNITY COLLEGE DISTRICT
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	Revenue Bond Capital Projects	Parking Fund	Independent Living (TIL)	Impounds	Capital Outlay Projects	Revenue Bond Construction	Total
REVENUES							
Federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,559,436
State	1,986	-	1,756,592	-	-	172	31,007,417
Local	340,473	1,445	365,120	-	26,263	96,358	12,171,885
Total Revenues	342,459	1,445	2,121,712	-	26,263	96,530	49,738,738
EXPENDITURES							
Academic salaries	-	-	-	-	-	-	10,517,307
Classified salaries	114,569	-	1,266,641	-	-	9,899	8,582,049
Employee benefits	53,861	-	560,194	-	-	1,031	10,520,670
Supplies and materials	11,358	1,299	27,245	-	-	-	1,680,252
Other operating expenses	72,835	27	235,665	-	123,997	378,156	5,226,799
Capital outlay	5,844	3,475	554	-	-	18,962	757,787
Debt Service - Principal	-	-	-	-	-	-	4,617,294
Total Expenditures	258,467	4,801	2,090,299	-	123,997	408,048	41,902,158
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	83,992	(3,356)	31,413	-	(97,734)	(311,518)	7,836,580
OTHER FINANCING SOURCES (USES)							
Operating transfer in	-	-	2,188,165	-	-	-	3,580,745
Operating transfer out	(76,643)	-	(133,357)	(873,575)	-	3,607	(4,666,612)
Other uses	-	-	-	-	-	-	(7,682,350)
Total Other Financing Sources (Uses)	(76,643)	-	2,054,808	(873,575)	-	3,607	(8,768,217)
NET CHANGE IN FUND BALANCE	7,349	(3,356)	2,086,221	(873,575)	(97,734)	(307,911)	(931,637)
FUND BALANCE - BEGINNING	935,946	51,768	(2,086,220)	2,927,206	440,439	4,824,318	36,113,320
FUND BALANCE ADJUSTMENTS	-	-	-	-	170,635	180,204	-
FUND BALANCE - ENDING	\$ 943,295	\$ 48,412	\$ 1	\$ 2,053,631	\$ 513,340	\$ 4,696,611	\$ 35,181,683

**WEST KERN COMMUNITY COLLEGE DISTRICT
NOTE TO UNAUDITED SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

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.