WEST KERN COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

WEST KERN COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2017

WEST KERN COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2017

FINANCIAL SECTION

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

VALUE THE difference

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
West Kern Community College District
Taft, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component unit (Taft College Foundation), and the aggregate remaining fund information of West Kern Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2016-2017 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 12 and other required supplementary schedules on pages 61 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The accompanying unaudited supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 31, 2017

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, 2017. This analysis is presented with comparative information from the year ended June 30, 2016 to highlight changes between the fiscal years. This section is designed to focus on currently known facts, current activities, and the resulting changes, and is intended to be read in conjunction with the District's basic financial statements and the accompanying footnotes. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District's management.

USING THIS ANNUAL REPORT

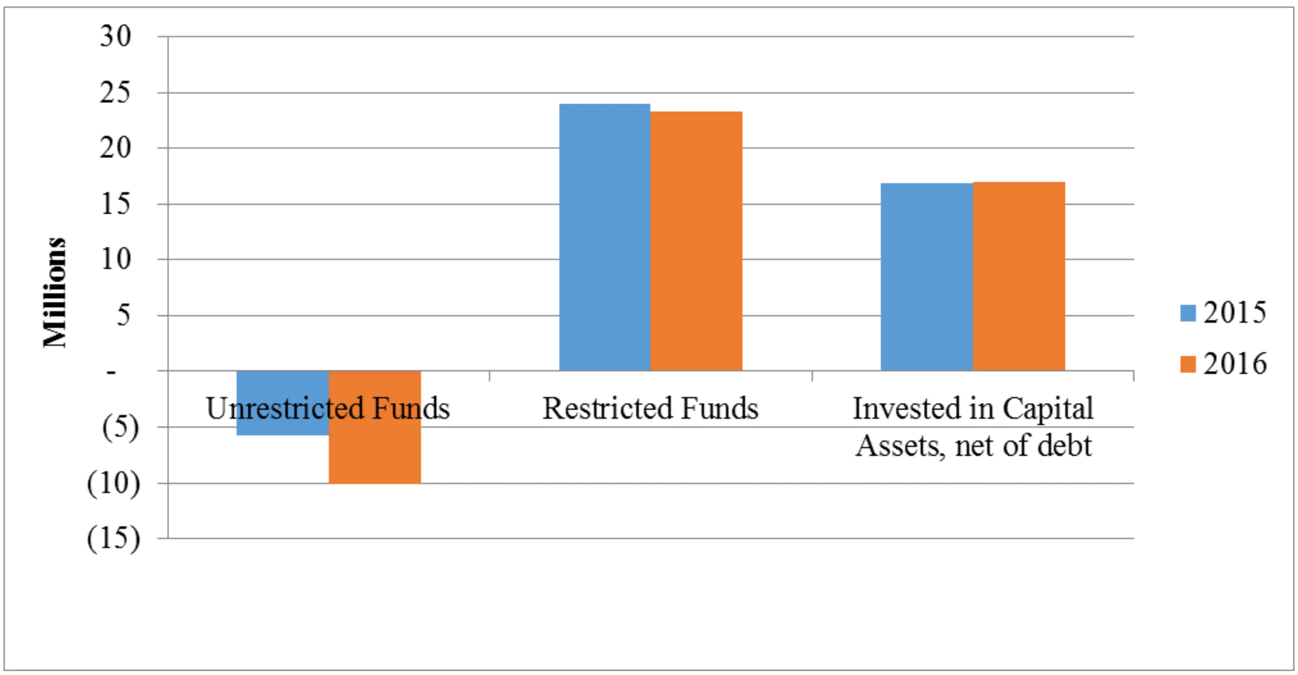
The current financial statement format, which incorporates GASB principles, consists of three basic financial statements that focus on the District as a whole: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The District's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

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The California Community College Chancellors Office (CCCCO) calculates total apportionment to be received by the District each year. The calculation consists of establishing a specified full time equivalency (FTE) level for the District and multiplying this total by predetermined amounts per FTE. Total apportionment payment consists of tuition fees, property taxes and state apportionment revenues. The District experienced a slight increase in total apportionment based on statewide inflation adjustments and a 1% growth allowance over 2014/2015 figures. In part, due to unemployment rates in the state and Kern County continuing to calculate higher than the national average and a sustained hold on tuition fee rate increases at the California community college levels, enrollment for the District continues to perform slightly above the funded apportionment rates. The 2015/2016 fiscal year found the District working in a fully budgeted position from the Chancellor's Office with no budgeted deficit coefficient or revenue shortfall calculated in. This was the first time this had occurred in almost 10 years. This allowed the District to collect on the unfunded FTE that the District had been carrying since 2012. 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.

A sign of the improving State economy, the District received another cost of living adjustment (COLA) in 2015/2016. The adjustment represented a 1.02% inflation correction for the year. The COLA increased the District's total adjustment to 3.44% over the last eight years; a period of time that saw the annual inflation rate increase by 10%. Despite these ongoing challenges to catch-up to pre-recession finance levels, the College continues to meet its responsibility for sound financial management, as demonstrated by the statements and schedules included in the financial section of this report.

Comparison of Net Position



Analysis of Net Position

Proposition 30, which was passed by the voters in November, 2012, continued to have a steadying effect on the funding for the California Community College system (The System). The System calculated the District at approximately 1.35% growth for 2015/2016. The 1.35% increase was due to a calculated 1% growth allowance in enrollment along with a small adjustment to acknowledge the District's carrying unfunded FTE for the past 3 years. The System has not had any increases in enrollment fees since the $10 per unit increase in enrollment fees that was implemented beginning with the summer 2012 term. At that time, the increase from $36 to $46 per unit represented a 24% percent growth in enrollment fees per unit. At the state level, the ongoing fiscal stabilization regarding funding for District budgeting and operations offset the property tax receipt adjustments from Kern County, creating an environment where the District received full funding in 2015/2016, with no deferrals carried at the end of the fiscal year, compared to $42,553 in deferred revenue at June 30, 2015. Regular non-operating factors such as deferred pension contribution adjustments for compliance with Statement No. 68 from the Governmental Accounting Standards Board (GASB) led to a decrease in the District's unrestricted funds of just over -$4 million. 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 decreasing due to grant project related deferred revenue being utilized along with the ongoing adjustment of the District's financials to reflect the pension liability defined by GASB 68, netted a slight decrease of just under -$750 thousand for the year just ended. The ongoing long-term campus improvements funded by the 2004 Measure A funding is evident in Invested in Capital Assets, net of debt. The District's Invested in Capital Assets position declined by almost -$56 thousand for the year just ended, marking a point where the District had completed most capital projects in 2014/2015 and was working toward starting the next phase of facility improvements. The District did not incur any additional debt related to the long-term campus improvement construction occurring across campus in 2015/2016, although the funding obligations that were not restructured in 2014/2015 were refinanced in the fall of 2015.

Financial Position of the District

	Net Position as of June 30, 2017	Net Position as of June 30, 2016	Increase (Decrease) 2017-2016
Current Assets			
Cash and Other Assets	$ 48,330,000	$ 51,596,000	-6.3%
Non-Current Assets			
Capital Assets, net of depreciation	73,808,000	72,560,000	1.7%
Deferred Outflows of Resources			
Pension activity and changes	6,653,000	5,834,000	14.0%
Total Assets	$ 128,791,000	$ 129,990,000	-.9%
Current Liabilities	$ 7,041,000	$ 8,152,000	-13.6%
Non-Current Liabilities	86,890,000	86,925,000	.0%
Total Liabilities	93,931,000	95,077,000	-1.2%
Deferred Inflows of Resources	1,344,000	4,858,000	-72.3%
Net Position			
Net invested in capital assets	19,667,000	16,923,000	16.2%
Restricted	19,920,000	23,248,000	-14.3%
Unrestricted	(6,071,000)	(10,116,000)	40.0%
Total Net Position	33,516,000	30,055,000	11.5%
Total Liabilities and Net Position	$ 128,791,000	$ 129,990,000	-.9%

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

Analysis of Assets

The District's Current Position were reduced by $-2.1 million due to the reclassification of funds designated to meet long-term obligations of the District along with scheduled payments being made on the District's long-term construction project financing. Non-Current Assets also decreased by -$1.5 million mainly as a result of the reassignment of funds for the long-term obligations. $500 thousand in depreciable capital assets and construction in progress were added during the year but were offset by -$3.1 million in depreciation of current assets. Payments on long-term obligations totaling -$3.2 million were made for District assets for the year just ended. Deferred pension contribution adjustments for compliance with GASB Statement No. 68 led to an increase in the District's non-current assets of just over $4 million.

Analysis of Capital Assets

As of June 30, 2016, the District recorded $105.4 million invested in capital assets, $32.8 million in accumulated depreciation, totaling $72.6 million recorded in net capital assets. In addition to these investments, the District also decreased construction in progress (CIP) by -$2 million to $554 thousand as of June 30, 2016. 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, 2016, the $554 thousand listed in CIP was tied to the start of the upcoming Student Center project. Based upon the current rate of project progress, materially all of the current CIP is expected to be placed into service during the 2017/18 fiscal year.

Analysis of Liabilities

Current liabilities decreased $1.3 million for the year just ended. After experiencing a slight increase in accounts payable balances in 2014/2015, the District experienced an increase of almost $1 million at June 30, 2016. Decreases in unearned revenue of -$1 million as well as a decrease of just over -$1.5 million in current portions of long-term debt were able to offset the increase in accounts payable. The refunding of the District's long-term liabilities during the year were responsible for the lower current payments. No new debt was issued for the year just ended.

FINANCIAL ACTIVITIES OF THE DISTRICT

	Activities Year ended June 30, 2017	Activities Year ended June 30, 2016	Increase (Decrease) 2017-2016
Operating Revenues			
Tuition and fees (less discounts)	$ 1,899,000	$ 4,557,000	-58.3%
Total Operating Revenues	1,899,000	4,557,000	-58.3%
Operating Expenses			
Salaries and Benefits	28,741,000	25,641,000	12.1%
Supplies, Materials, Depreciation	19,050,000	22,858,000	-16.7%
Total Operating Expenses	47,791,000	48,499,000	-1.5%
Operating (Loss)	(45,892,000)	(43,942,000)	-4.4%
Non-Operating Revenues (Expenses)			
State Apportionments and Property Taxes	29,336,000	23,188,000	26.5%
Grants and Contracts	16,942,000	19,118,000	-11.4%
Investments, Other Revenues (Expenses)	2,139,000	(3,531,000)	160.6%
Total Non-Operating Revenues (Expenses)	48,417,000	38,775,000	24.9%
Other Revenues (Expenses)	935,000	102,000	816.7%
Increase (Decrease) in Net Position	3,461,000	(5,065,000)	168.3%
Net Position, Beginning of Year	30,055,000	35,120,000	-14.4%
Net Position, End of Year	$ 33,516,000	$ 30,055,000	11.5%

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

Operating Results

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 2015/2016 over 2014/2015 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. There was a shift increasing financial aid and reducing scholarships and allowances in 2015/2016 over the previous year which improved the timing of enrollment fees recorded. Overall, FTE attendance increased to 2,557 in 2015/2016, as compared to 2,532 in 2014/2015.

Salaries increased by $866 thousand in 2015/2016 due to such factors as a 1.02% cost of living adjustment in salaries, regular step increases in salary schedules, and additional positions being filled by the District. Several new instructional positions were also created and staffed in 2015/2016. The salary increases along with the new positions created by the District increased employee benefits expenditures by $1.25 million. The Other Post Employment Benefits (OPEB) obligation continued to improve as it experienced a decrease in the net obligation due from $1.36 million to $975 thousand in the current year. This is a requirement mandated annually to comply with GASB 45 reporting standards. Non salary and benefit coded other operating expenses experienced increases of $1.25 million tied to such items as continued increases in depreciation due to additional improvements being re-categorized from construction in progress status and being capitalized in 2015/2016 as well as the related expenditures tied to these capital improvement projects and ongoing District operations.

The District experienced several shifts in sources of non-operating revenues in 2015/2016. As federal, state, and local grant and contract funds increased by a combined $4.1 million, local property tax receipts declined by -$1.6 million, and state apportionment increased by over $400 thousand. Other state revenues fell by -$400 thousand but this decrease was absorbed by declines in interest expenses and issuance costs on capital related debt, which decreased by over -53%, from -$6.3 million to just under -$3 million.

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 and will differ from totals in the district wide financial statements due to the conversion from modified accrual accounting to full accrual accounting:

	Salaries and Benefits	Supplies, Material and Other Expenses and Services	Other Outgo	Depreciation	Total
Instructional activities	$ 11,191,782	$ 4,275,869	$ -	$ -	$ 15,467,651
Academic support	2,071,300	353,190	-	-	2,424,490
Student services	3,753,950	549,541	149,810	-	4,453,301
Plant operations and maintenance	1,810,633	1,589,189	-	-	3,399,822
Instructional support services	2,529,300	703,579	4,734	-	3,237,613
Community Services and economic development	191,283	90,546	-	-	281,829
Ancillary services and auxiliary operations	4,341,599	4,642,932	11,348,055	-	20,332,586
Trust and agency activities	-	-	-	-	-
Depreciation expense-unallocated	-	-	-	3,124,343	3,124,343
	$ 25,889,847	$ 12,204,846	$ 11,502,599	$ 3,124,343	$ 52,721,635

SIGNIFICANT ACCOMPLISHMENTS

Capital Improvement Project

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

The District has completed several major projects to date. Completion of a new Child Development Center provides a permanent 9,400 square foot building that will support up to 75 children. It replaces portable buildings that were being used. It also serves as a base for future improvements to be focused around. The remodel of the Community Technology Center, complete as of December 2009 consists of the reconstruction of the current administration building and the addition of a new Library. In total the project provides 45,000 square feet of facilities that houses the library, the learning resources center (LRC), the student services center, and administrative offices. The modernization of the Science building and the courtyard renovation between the science building and administration building projects were completed for use in the 2009/10 school year. The Science building project modernized approximately 11,000 square feet of classroom space used primarily for the instruction of science and math courses as well as adding offices within the building for the science and math faculty. The courtyard adds updated landscaping and revitalization of areas for students to use between classes. The Tech Arts project was completed in late 2013 and modernized approximately 10,000 square feet of classroom space used primarily for the instruction of Liberal Arts and Business courses. The most recently completed projects were the Center for Independent Living Facility and a renovation of the dorm facilities. The Center for Independent Living project provides a 20,000 square foot live-in facility with offices and instructional space. Construction was completed in late 2014. Dorm renovations of current facilities began in November, 2013 and were completed in early 2015. The renovations updated the dorm rooms and surrounding areas, improving the on-campus living experience. A new Student Center project housing a new cafeteria, bookstore and student union completed the final steps of the design and approval phase in 2015/2016 and broke ground in fall, 2016. It is expected to begin the construction phase in the first half of 2017 and be completed in 2018.

ECONOMIC FACTORS AFFECTING THE FUTURE

Economic Condition

The College is located in the western Kern County community of Taft with a population of approximately 17,000. The surrounding area brings the total population to about 21,000. The community is in the heart of the Midway-Sunset oilfield, one of the nation's best producing fields. While oil is the leading industry, the area is also rich in agriculture, light industry and recreation. West Kern Community College District (the District) contains 735 square miles and is composed of the Taft City, Midway, McKittrick, Elk Hills Elementary School Districts and the Taft Unified and Maricopa Unified Districts. The District contains only one college campus, Taft College.

Prospects for the Future

Even with stabilizing effects the passage of California Proposition 30 (2012) had on the California Community College System over the last few years, the future financial outlook for the College remains conservatively optimistic. The income tax portion of the Proposition was extended through 2030 by the passage of California Proposition 55 in the November, 2016 election, postponing potentially large cutbacks in educational funding. Although property taxes show potential for continued increases which could fill the void left by Proposition 30 sales tax revenue, California's financial landscape continues to force the state's education systems to increase focus in areas such as institutional efficiency while maintaining and improving student success. Federal unemployment improved to a rate of 4.9% as of June, 2016 as compared to 5.3% for June, 2015. Comparatively, California's rate dropped to 5.7% for June, 2016 compared to 6.2% for the same period in 2015. Unemployment rates in California continue to lag behind the national average, as has been the trend over the last few years. Kern County is experiencing unemployment rates even higher than the average state levels, trending at 10.8% in June, 2016, as compared to 10.4% unemployment in June, 2015. There is a direct correlation between unemployment rates and enrollment in higher education. Sustained high unemployment rates increase college enrollment demand as individuals look to advance and diversify their skills for future employment opportunities. With the expiration of the sales tax portion of California Proposition 30 (2012) on December 31, 2016, concerns are still present as to how Taft College and the entire California Community College System will be able to continue to respond to this trend.

Taft College has continued to meet the State's full time equivalent (FTE) workload measures, growing by the funded 1% in 2015/2016. The District has experienced just over 5.2% FTE growth over the last 5 years due to course offering adjustments related to increased focus on student needs and success, as well as improved funding. Continuing to improve budgetary modeling and forecasting methods along with a positive economic climate, the College remains committed to responding to increasing course demands by offering additional classes and educational options.

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

	2011/12	2012/13	2013/14	2014/15	2015/16
Enrollment	2,430	2,580	2,540	2,532	2,557
% Increase (Decrease)	(3.95%)	6.18%	(1.56%)	(0.30%)	0.98%

2012 – 2016 (5-year) Average Increase in enrollment: 5.24%

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

ADDITIONAL FINANCIAL INFORMATION

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

WEST KERN COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2017

ASSETS	
Current Assets	
Unrestricted cash and investments	$ 12,741,386
Restricted cash and investments	30,544,645
Accounts receivable	3,963,064
Student receivables	539,141
Prepaid expenses - current portion	327,203
Inventories	213,931
Total Current Assets	48,329,370
Noncurrent Assets	
Nondepreciable capital assets	5,496,403
Depreciable capital assets, net of depreciation	68,311,874
Total Noncurrent Assets	73,808,277
TOTAL ASSETS	122,137,647
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	6,653,387
LIABILITIES	
Current Liabilities	
Accounts payable	1,885,146
Compensated absences	482,676
Unearned revenue	1,315,787
Current portion of long-term obligations other than pensions	3,357,760
Total Current Liabilities	7,041,369
Noncurrent Liabilities	
Other postemployment benefits	406,767
Aggregate net pension obligation	26,059,742
Noncurrent portion of long-term obligations other than pensions	60,423,274
Total Noncurrent Liabilities	86,889,783
TOTAL LIABILITIES	93,931,152
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	1,343,821
NET POSITION	
Net investment in capital assets	19,667,272
Restricted for:	
Debt service	21,219,809
Educational programs	(1,299,489)
Unrestricted	(6,071,531)
TOTAL NET POSITION	$ 33,516,061

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

WEST KERN COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES	
Student Tuition and Fees	$ 4,048,642
Less: Scholarship discount and allowance	(2,149,145)
Net tuition and fees	1,899,497
OPERATING EXPENSES	
Salaries	20,025,906
Employee benefits	8,715,031
Supplies, materials, and other operating expenses and services	11,143,245
Student financial aid	4,957,830
Depreciation	2,949,180
TOTAL OPERATING EXPENSES	47,791,192
OPERATING LOSS	(45,891,695)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	16,538,495
Local property taxes, levied for general purposes	5,217,098
Taxes levied for other specific purposes	7,162,683
Federal grants	6,136,717
State grants	10,805,297
State taxes and other revenues	417,677
Investment income	198,967
Interest expense and issuance costs on capital related debt	(1,254,242)
Investment income on capital asset-related debt, net	1,324
Other nonoperating revenue/expenses	3,193,119
TOTAL NONOPERATING REVENUES (EXPENSES)	48,417,135
INCOME BEFORE OTHER REVENUES	2,525,440
OTHER REVENUES	
Local revenues, capital	935,458
CHANGE IN NET POSITION	3,460,898
NET POSITION, BEGINNING OF YEAR	30,055,163
NET POSITION, END OF YEAR	$ 33,516,061

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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 3,949,396
Payments to vendors for supplies and services	(11,250,761)
Payments to or on behalf of employees	(33,643,540)
Payments to students for scholarships and grants	(4,957,830)
Auxiliary enterprise sales and charges	(620,908)
Net Cash Flows Used by Operating Activities	(46,523,643)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	15,163,987
Grant and contracts	17,480,587
Property taxes - nondebt related	12,379,781
State taxes and other apportionments	(1,545,303)
Other nonoperating	3,193,119
Net Cash Flows From Noncapital Financing Activities	46,672,171
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(4,196,931)
Accreted interest on capital related debt	224,000
Net pension obligations adjustment	4,974,658
Local revenue, capital projects	935,458
Principal paid on capital debt	(4,554,146)
Interest and other costs paid on capital debt	(1,254,242)
Interest received on capital asset-related debt	1,324
Net Cash Flows Used by Capital Financing Activities	(3,869,879)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	229,255
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,492,096)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	46,778,127
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 43,286,031

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

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

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (45,891,695)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation	2,949,180
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables	1,311,682
Inventories	38,811
Prepaid expenses	(182,008)
Accounts payable and accrued liabilities	112,631
Unearned revenue	40,359
Deferred (inflows)/outflows of resources related to pensions	(4,334,306)
Compensated absences, retiree benefits and pension obligations	(568,297)
Total Adjustments	(631,948)
Net Cash Flows From Operating Activities	$ (46,523,643)

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

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	OPEB Trust	Agency Funds
ASSETS		
Cash and cash equivalents	$ -	$ 75,591
Investments	5,319,178	-
Total Assets	5,319,178	$ 75,591
LIABILITIES		
Due to student groups	-	$ 75,591
NET POSITION		
Restricted for postemployment benefits	$ 5,319,178	

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	OPEB Trust
ADDITIONS	
Employer contributions	$ 529,325
Interest and investment earnings	541,422
Total Additions	1,070,747
DEDUCTIONS	
Services and operating expenditures	44,152
Change in Net Position	1,026,595
Net Position - Beginning	4,292,583
Net Position - Ending	$ 5,319,178

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

DISCRETELY PRESENTED COMPONENT UNIT
TAFT COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS		
Cash and cash equivalents	$	2,572,257
Accounts receivable		18,845
TOTAL ASSETS	$	2,591,102
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$	100
NET ASSETS-Unrestricted		2,591,002
TOTAL LIABILITIES AND NET ASSETS	$	2,591,102

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, 2017

REVENUES	
Other income	$ 813,154
EXPENDITURES	
Services and other operating expenditures-program costs	577,226
NET CHANGE IN NET ASSETS	235,928
NET ASSETS, BEGINNING	2,355,074
NET ASSETS, ENDING	$ 2,591,002

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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers	$	(828,469)
Other Operating Receipts/Payments		1,064,497
Net Cash Provided by Operating Activities		236,028
NET CHANGE IN CASH AND CASH EQUIVALENTS		236,028
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		2,336,229
CASH AND CASH EQUIVALENTS, END OF YEAR	$	2,572,257

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

NOTE 1 - ORGANIZATION

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

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.

Retiree Health Benefit OPEB Trust

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statements of Net Position - Primary Government
  - Statements of Revenues, Expenses, and Changes in Net Position - Primary Government
  - Statements of Cash Flows - Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statements of Fiduciary Net Position
    - Statements of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2017, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

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

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. Management has analyzed these accounts and believes most amounts are fully collectable.

Prepaid Expenses

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

Inventories

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

Capital Assets and Depreciation

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

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

Accounts Payable and Long-Term Obligations

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

Debt Issuance Costs and Premiums

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

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.

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 – net of related debt.
>
> **Restricted:** Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.
>
> **Unrestricted**: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report $(19,920,320) of restricted net position.

State Apportionments

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

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. 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.

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.

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, No. 43, and No. 50, *Pension Disclosures*.

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

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

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

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to State or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of GASB Statement No. 68 applied to the financial statements of all State and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a State or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of State or local governmental employers and to employees of employers that are not State or local governmental employers; and (3) has no predominant State or local governmental employer (either individually or collectively with other State or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

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

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment to GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment to GASB Statement No. 14*.

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

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

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

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

The requirements of this Statement are effective for financial statements for periods beginning after June 30, 2017. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

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

General Authorizations

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

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

Summary of Deposits and Investments

Deposits and investments of the Primary Government as of June 30, 2017, consist of the following:

Cash on hand and in banks	$ 2,709,960
Cash in revolving	12,143
Investments	40,563,928
Total Deposits and Investments	$ 43,286,031

Deposits and investments of the Fiduciary Funds as of June 30, 2017, consist of the following:

Cash on hand and in banks	$ 75,591
Investments	5,319,178
Total Deposits and Investments	$ 5,394,769

Deposits and investments of the Foundation as of June 30, 2017, consist of the following:

Cash on hand and in banks	$ 142,144
Investments	2,430,113
Total Deposits and Investments	$ 2,572,257

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
Common Stock	$ 602,305	$ 602,305	$ -	$ -	$ -
U.S. Government					
Agency Securities	2,670,177	250,519	531,304	1,630,692	257,662
Municipal Bonds	4,132,276	436,332	1,306,945	2,114,397	274,602
Corporate Bonds	6,057,659	401,761	1,855,550	3,629,392	170,956
Foreign Bonds	199,879	199,879	-	-	-
Certificates of Deposit	3,890,073	376,808	581,177	2,932,088	-
Kern County Pool	25,214,137	13,348,364	7,735,697	4,130,076	-
Held by Trustee: Master Trusts	5,425,178	5,425,178	-	-	-
Total	$ 48,191,684	$ 21,041,146	$ 12,010,673	$ 14,436,645	$ 703,220

Credit Risk

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

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End (S&P) AAA	AA+	AA/AA-	A+	A/A-	BBB+	BBB/B+	Unrated
Common Stock	$ 602,305	N/A	$ -	$ -	$ 77,671	$ 21,575	$ 377,922	$ 60,410	$ 64,727	$ -
U.S. Government										
Agency Securities	2,670,177	N/A	-	2,670,177	-	-	-	-	-	-
Municipal Bonds	4,132,276	N/A	1,660,317	131,661	1,987,843	102,455	250,000	-	-	-
Corporate Bonds	6,057,659	N/A	441,848	429,243	1,501,513	502,285	2,213,842	635,134	333,794	-
Foreign Bonds	199,879	N/A	-	-	99,924	99,955	-	-	-	-
Certificates of Deposit	3,890,073	N/A	-	-	-	-	-	-	-	3,890,073
Kern County Pool	25,214,137	N/A	-	-	-	-	-	-	-	25,214,137
Held by Trustee:										
Master Trusts	5,425,178	N/A	-	-	-	-	-	-	-	5,425,178
Total	$ 48,191,684		$ 2,102,165	$ 3,231,081	$ 3,666,951	$ 726,270	$ 2,841,764	$ 695,544	$ 398,521	$ 34,529,388

N/A - Not Applicable

Concentration of Credit Risk

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

Investment Type	Issuer	Reported Amount
Corporate Notes	Morgan Stanley	$ 2,793,604
Mutual Funds	Benefit Trust (Trustee)	$ 5,319,178

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, 2017, the District's bank balance of $227,643 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 $15,333,494, 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.

The District's fair value measurements are as follows at June 30, 2017:

Investment Type	Fair Value	Fair Value Measurements Using Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
Common Stock	$ 602,305	$ 602,305	$ -	$ -	$ -
U.S. Government Agency Securities	2,670,177	2,670,177	-	-	-
Municipal Bonds	4,132,276	4,132,276	-	-	-
Corporate Bonds	6,057,659	6,057,659	-	-	-
Foreign Bonds	199,879	199,879	-	-	-
Certificates of Deposit	3,890,073	-	-	-	3,890,073
Kern County Pool	25,214,137	-	-	-	25,214,137
Held by Trustee: Master Trusts	5,425,178	-	-	-	5,425,178
Total	$ 48,191,684	$ 13,662,296	$ -	$ -	$ 34,529,388

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

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	$ 82,308
State Government	
Apportionment	1,717,317
Categorical aid	1,163,192
Other State sources	181,141
Local Sources	
Student receivables	539,141
Other local sources	819,106
Total	$ 4,502,205

NOTE 6 - CAPITAL ASSETS

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

	Balance July 1, 2016	Additions	Balance June 30, 2017
Capital Assets Not Being Depreciated			
Land	$ 1,473,619	$ -	$ 1,473,619
Construction in progress	554,166	3,468,618	4,022,784
Total Capital Assets Not Being Depreciated	2,027,785	3,468,618	5,496,403
Capital Assets Being Depreciated			
Land and building improvements	8,408,845	159,037	8,567,882
Buildings	85,908,251	-	85,908,251
Furniture and equipment	9,005,879	569,276	9,575,155
Total Capital Assets Being Depreciated	103,322,975	728,313	104,051,288
Total Capital Assets	105,350,760	4,196,931	109,547,691
Less Accumulated Depreciation			
Land and building improvements	2,039,037	534,543	2,573,580
Buildings	23,790,382	1,762,617	25,552,999
Furniture and equipment	6,960,815	652,020	7,612,835
Total Accumulated Depreciation	32,790,234	2,949,180	35,739,414
Net Capital Assets	$ 72,560,526	$ 1,247,751	$ 73,808,277

Depreciation expense for the year was $2,949,180. No additional interest was capitalized during the year and depreciation expense of $376,204 was recognized for prior capitalized interest.

NOTE 7 - PREPAID EXPENSES

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

	Primary Government
Service agreements and technology	$ 327,203

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government
Vendors payable	$ 1,844,973
Salaries and benefits	40,173
Total	$ 1,885,146

NOTE 9 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government
Federal financial assistance	$ 96,582
State categorical aid	395,373
Other state sources	239,227
Local sources	584,605
Total	$ 1,315,787

NOTE 10 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

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

Interfund Operating Transfers

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

NOTE 11 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2017 fiscal year consisted of the following:

	Balance Beginning of Year	Additions/ Accreted Interest	Deductions	Balance End of Year	Due in One Year
General obligation bonds:					
2006 B - Capital Appreciation	$ 598,914	$ 67,136	$ 115,000	$ 551,050	$ 110,000
2007 C - Current Interest	11,235,000	-	-	11,235,000	-
2007 C - Capital Appreciation	1,378,300	156,864	225,000	1,310,164	255,000
2015 Refunding, Series A	16,995,000	-	-	16,995,000	-
2015 Refunding, Series B	2,715,000	-	-	2,715,000	-
2015 Refunding, Series C	5,295,000	-	1,640,000	3,655,000	1,765,000
Unamortized premium on bond issuances	4,218,966	-	1,639,146	2,579,820	267,760
Certificates of participation - 2015	25,675,000	-	935,000	24,740,000	960,000
Other postemployment benefits (OPEB)	975,064	1,606,817	2,175,114	406,767	-
Total Long-Term Obligations	$ 69,086,244	$ 1,830,817	$ 6,729,260	$ 64,187,801	$ 3,357,760

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

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund and the Debt Service Fund with local property tax revenues. Payments on the certificates of participation are paid by the Debt Service Fund. The other postemployment benefit obligations are paid by the General Fund.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2017
2006	11/1/2019	3.7-4.86%	$ 12,500,856	$ 598,914	$ 67,136	$ 115,000	$ 551,050
2007	11/1/2032	3.6-4.68%	12,297,305	12,613,300	156,864	225,000	12,545,164
2015	11/1/2031	3.5-5.0%	16,995,000	16,995,000	-	-	16,995,000
2015	11/1/2021	2.0-3.5%	2,715,000	2,715,000	-	-	2,715,000
2015	11/1/2018	5.0%	5,295,000	5,295,000	-	1,640,000	3,655,000
Total				$ 38,217,214	$ 224,000	$ 1,980,000	$ 36,461,214

2006 B - Capital Appreciation

The bonds mature through 2020 as follows:

Fiscal Year	Fully Accreted Amount	Long-Term Debt Extended Obligation	Unaccreted Obligation
2018	$ 110,000	$ 103,774	$ 6,226
2019	110,000	92,356	17,644
2020	475,000	354,920	120,080
Total	$ 695,000	$ 551,050	$ 143,950

2007 C - Current Interest

The bonds mature through 2033 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ -	$ 520,731	$ 520,731
2019	-	520,731	520,731
2020	-	520,731	520,731
2021	-	520,731	520,731
2022	-	520,731	520,731
2023-2027	2,615,000	2,422,227	5,037,227
2028-2032	4,715,000	1,652,825	6,367,825
2033	3,905,000	178,979	4,083,979
Total	$ 11,235,000	$ 6,857,686	$ 18,092,686

2007 C - Capital Appreciation

The bonds mature through 2023 as follows:

Fiscal Year	Fully Accreted Amount	Long-Term Debt Extended Obligation	Unaccreted Obligation
2018	$ 255,000	$ 240,567	$ 14,433
2019	290,000	243,484	46,516
2020	330,000	246,576	83,424
2021	365,000	242,725	122,275
2022	400,000	236,720	163,280
2023	190,000	100,092	89,908
Total	$ 1,830,000	$ 1,310,164	$ 519,836

2015 A - Current Interest

The bonds mature through 2032 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ -	$ 696,150	$ 696,150
2019	-	696,150	696,150
2020	-	696,150	696,150
2021	-	696,150	696,150
2022	790,000	696,150	1,486,150
2023-2027	6,430,000	2,646,850	9,076,850
2028-2032	9,775,000	980,225	10,755,225
Total	$ 16,995,000	$ 7,107,825	$ 24,102,825

2015 B - Current Interest

The bonds mature through 2022 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ -	$ 64,713	$ 64,713
2019	-	64,712	64,712
2020	820,000	64,712	884,712
2021	1,310,000	48,313	1,358,313
2022	585,000	20,475	605,475
Total	$ 2,715,000	$ 262,925	$ 2,977,925

2015 C - Current Interest:

The bonds mature through 2019 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ 1,765,000	$ 182,750	$ 1,947,750
2019	1,890,000	94,500	1,984,500
Total	$ 3,655,000	$ 277,250	$ 3,932,250

Certificates of Participation

2015 Issuance

The certificates mature through 2035 as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 960,000	$ 925,900	$ 1,885,900
2019	1,000,000	891,500	1,891,500
2020	1,035,000	850,800	1,885,800
2021	1,080,000	808,500	1,888,500
2022	1,125,000	758,775	1,883,775
2023-2027	6,510,000	2,884,200	9,394,200
2028-2032	7,750,000	1,580,106	9,330,106
2034-2035	5,280,000	286,914	5,566,914
Total	$ 24,740,000	$ 8,986,695	$ 33,726,695

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

Plan administration. The District's Governing Board administers the Postemployment Benefits Plan (the "Plan"), a single-employer defined benefit Plan that is used to provide postemployment benefits other than pensions (OPEB) for the District.

Management of the Plan is vested with the West Kern Community College District Retirement Board of Authority, which consists of locally appointed Plan members.

Plan membership. At June 30, 2017, Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	77
Active plan members	154
	231

Benefits provided. The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting Plan eligibility requirements under an agent multiple-employer defined benefit Plan. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for employees participating in California Public Employees' Retirement System (CalPERS) is a minimum age of 55 with continuous service of 20 years or age 60 with 15 years of service. The eligibility requirement for employees participating in California State Teachers' Retirement System (CalSTRS) is a minimum of 20 years or age 60 with 15 years of service. Additional age and service criteria may be required.

Contribution Information

Contributions. The contribution requirements of Plan members and the District are established and may be amended by the District, the local California School Employees Association (CSEA), the Faculty Association of Taft College, 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 by West Kern Community College District Governing Board. For fiscal year 2016-2017, the District contributed $1,611,018 to the Plan, of which $1,081,693 was used for current premiums and $529,325 was transferred to the OPEB irrevocable trust. Plan members are not required to contribute to the Plan.

Investments

Investment policy. The Plan's policy in regard to the allocation of invested assets is established and may be amended by the West Kern Community College District Retirement Board of Authority by a majority vote of its members. It is the policy of the Retirement Board of Authority to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation
Domestic equity	[1]
Fixed income	[1]
International equity	[1]
Real estate	[1]
Total	

[1] Not more than five percent in any single equity issue or issuer

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 11 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Total Net OPEB Liability of the District

The component of the total net OPEB liability of the District as June 30, 2017, were as follows:

Total OPEB liability	$ 19,242,168
Plan fiduciary net position	5,319,178
District's net OPEB liability	13,922,990
Plan fiduciary net position as a percentage of the total OPEB liability	28%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of February 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	6.75 percent
Healthcare cost trend rates	4.00 percent

Mortality rates were based on the 2009 CalSTRS Mortality tables for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees tables for classified employees.

The actuarial assumptions used in the May 2017 valuation were based on the results of an actuarial experience study as of February 1, 2017.

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	8% (7% plus 1% for compliance/monitoring costs)
Fixed income	8% (7% plus 1% for compliance/monitoring costs)
International equity	8% (7% plus 1% for compliance/monitoring costs)
Real estate	8% (7% plus 1% for compliance/monitoring costs)
Cash	8% (7% plus 1% for compliance/monitoring costs)

Discount rate. The discount rate used to measure the total OPEB liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount and healthcare cost trend rates. The OPEB liability is based on the actuarial report that relies on estimates and assumptions that affect the amounts reported. Particularly, changes in the discount and healthcare cost trend rates used can have a significant impact on the resulting actuarially determined OPEB liability. Actual results may differ from these estimates and assumptions.

NOTE 13 - RISK MANAGEMENT

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2017, 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 2016-2017, 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 14 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2017, the District reported 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	$ 13,291,939	$ 3,019,364	$ 588,075	$ 1,444,153
CalPERS	12,767,803	3,634,023	755,746	1,476,283
Total	$ 26,059,742	$ 6,653,387	$ 1,343,821	$ 2,920,436

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a precentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

Contributions

Required member, District and State of California 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, 2017, are presented above and the District's total contributions were $1,176,352.

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

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

Total net pension liability, including State share:

District's proportionate share of net pension liability	$ 13,291,939
State's proportionate share of the net pension liability associated with the District	7,566,863
Total	$ 20,858,802

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.0164 percent and 0.0169 percent, resulting in a net decrease in the proportionate share of 0.0005 percent.

For the year ended June 30, 2017, the District recognized pension expense of $1,444,153. In addition, the District recognized pension expense and revenue of $731,417 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,176,352	$ -
Net change in proportionate share of net pension liability	786,309	263,834
Difference between projected and actual earnings on pension plan investments	1,056,703	-
Differences between expected and actual experience in the measurement of the total pension liability	-	324,241
Total	$ 3,019,364	$ 588,075

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2018	$ 23,054
2019	23,054
2020	614,264
2021	396,331
Total	$ 1,056,703

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 54,114
2019	54,114
2020	54,114
2021	54,114
2022	54,115
Thereafter	(72,337)
Total	$ 198,234

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

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of ten-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 19,130,097
Current discount rate (7.60%)	$ 13,291,939
1% increase (8.60%)	$ 8,443,103

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a precentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were $1,103,732.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $12,767,803. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.0646 percent and 0.0661 percent, resulting in a net decrease in the proportionate share of 0.0015 percent.

For the year ended June 30, 2017, the District recognized pension expense of $1,476,283. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,103,732	$ -
Net change in proportionate share of net pension liability	-	372,150
Difference between projected and actual earnings on pension plan investments	1,981,153	-
Differences between expected and actual experience in the measurement of the total pension liability	549,138	-
Changes of assumptions	-	383,596
Total	$ 3,634,023	$ 755,746

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2018	$ 277,883
2019	277,884
2020	908,324
2021	517,062
Total	$ 1,981,153

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ (113,962)
2019	(101,573)
2020	8,927
Total	$ (206,608)

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.65%)	$ 19,049,632
Current discount rate (7.65%)	$ 12,767,803
1% increase (8.65%)	$ 7,536,943

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, 2017, which amounted to $578,396, (8.828 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2017. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

NOTE 15 - 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, 2017, the District made payments of $227,163, $4,070,660, and $99,295 to SISC for its workers' compensation, health and welfare, and property/liability coverage, respectively.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2017.

Litigation

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

Related Party Transactions

WESTEC

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

Impounded Property Taxes

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

REQUIRED SUPPLEMENTARY INFORMATION

WEST KERN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB ASSET AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2017

	2017
Total OPEB Obligation*	
Annual required contribution (ARC)	$ 1,541,000
Interest on net obligation	65,817
Adjustment to ARC	(66,826)
Pay-as-you go contributions	(1,081,693)
Contributions made to Irrevocable Trust	(529,325)
Change in value of Irrevocable Trust	(497,270)
Net Changes in Total OPEB Obligation	(568,297)
Total OPEB Obligation - Beginning	975,064
Total OPEB Obligation - Ending	**$ 406,767**
Plan Fiduciary Net Position**	
Contributions - employer	$ 529,325
Net investment income	541,422
Benefit payments	-
Administrative expense	(44,152)
Net Change in Plan Fiduciary Net Position	1,026,595
Plan Fiduciary Net Position - Beginning	4,292,583
Plan Fiduciary Net Position - Ending	**$ 5,319,178**

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

* The Total Net OPEB Liability was measured in accordance with GASB Statement No. 45.

** The Plan Fiduciary Net Position was measured in accordance with GASB Statement No. 74.

See accompanying note to required supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

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

		2017
Actuarially determined contribution	$	1,541,000
Contributions in relations to the actuarially determined contribution		1,611,018
Contribution deficiency (excess)	$	(70,018)
Covered-employee payroll	$	17,298,349
Contribution as a percentage of covered-employee payroll		9.31%

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

See accompanying note to required supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2017

	2017
Estimated annual money-weighted rate of return, net of investment expense	11.00%

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

See accompanying note to required supplementary information.

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Estimated Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
February 1, 2017	$ 4,540,203	$ 22,731,236	$ 18,714,985	4.23%	$ 17,298,349	108.19%
February 1, 2015	$ 3,249,589	$ 19,940,867	$ 16,691,278	16.30%	$ 15,504,942	107.65%
February 1, 2013	$ 1,779,613	$ 19,133,009	$ 17,353,396	9.30%	$ 14,250,207	121.78%

See accompanying note to required supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
CalSTRS		
District's proportion of the net pension liability	0.0164%	0.0169%
District's proportionate share of the net pension liability	$ 13,291,939	$ 11,344,264
State's proportionate share of the net pension liability associated with the District	7,566,863	5,999,865
Total	$ 20,858,802	$ 17,344,129
District's covered - employee payroll	$ 8,594,138	$ 8,147,241
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	154.66%	139.24%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%
CalPERS		
District's proportion of the net pension liability	0.0646%	0.0661%
District's proportionate share of the net pension liability	$ 12,767,803	$ 9,740,820
District's covered - employee payroll	$ 7,744,982	$ 7,357,701
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	164.85%	132.39%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%

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

See accompanying note to required supplementary information.

2015
0.0153%
$ 8,963,465
5,412,527
$ 14,375,992
$ 7,833,564
114.42%
77%
0.0689%
$ 7,820,779
$ 7,243,856
107.96%
83%

WEST KERN COMMUNITY COLLEGE DISTRICT

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

	2017	2016
CalSTRS		
Contractually required contribution	$ 1,176,352	$ 922,151
Contributions in relation to the contractually required contribution	1,176,352	922,151
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 9,350,970	$ 8,594,138
Contributions as a percentage of covered - employee payroll	12.58%	10.73%
CalPERS		
Contractually required contribution	$ 1,103,732	$ 917,548
Contributions in relation to the contractually required contribution	1,103,732	917,548
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 7,947,379	$ 7,744,982
Contributions as a percentage of covered - employee payroll	13.888%	11.847%

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

See accompanying note to required supplementary information.

2015
$ 723,475
723,475
$ -
$ 8,147,241
8.88%
$ 866,075
866,075
$ -
$ 7,357,701
11.771%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

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

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

Schedule of District Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Valuation Date: Actuarially determined contribution rates are calculated as of February 1, 2017.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	23 years
Asset Valuation method	Because plan assets are primarily short-term, no smoothing formula was used
Inflation	2.75 percent
Health care cost trend rates	4.00 percent
Salary increases	2.75 percent
Investment rate of return	6.75 percent
Retirement age	Certificated: 2009 CalSTRS Retirement Rates Classified, hired before January 1, 2013: 2009 CalPERS Retirement Rates for School Employees Classified, hired after December 31, 2012: 2009 CalPERS 2 percent at 60 Retirement Rates for Miscellaneous Employees adjusted to reflect minimum retirement age of 52
Mortality	Certificated: 2009 CalSTRS Mortality Classified: 2014 CalPERS Mortality for Miscellaneous Employees

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

Schedule of OPEB Investment Returns

This schedule presents information on the annual money weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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

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

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

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

Schedule of District Contributions for 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

DISTRICT ORGANIZATION
JUNE 30, 2017

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

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Billy White	President	2020
Dawn Cole	Secretary	2018
Dr. Kathy Garner Orrin	Member	2020
Michael Long	Member	2018
Manny Campos	Member	2018

ADMINISTRATION

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

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

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

FEDERAL PROGRAMS	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department Education:			
Child and Adult Care Food Program	10.558	13666	$ 107,220
Direct Programs:			
HEOA - TPSID Grant	84.407A		195,655
TRIO Student Support Services Grant	84.042A		252,561
Student Financial Assistance Cluster:			
Federal Work Study	84.033		59,694
Pell Grants	84.063		4,570,815
Subtotal Student Financial Assistance Cluster			4,630,509
Higher Education Institutional - Pathways Grant	84.031S		818,395
Passed Through California Community Colleges Chancellor's Office			
Career and Technical Education - Basic Grants	84.048	15-CO1-008	88,849
Subtotal U.S. Department of Education			5,985,969
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Temporary Assistance for Needy Families (TANF)	93.558		27,657
Passed Through California Department of Health Care Services:			
Medical Administrative Activities	93.778	10060	15,871
Subtotal U.S. Department of Health & Human Services			43,528
Total Expenditures of Federal Awards			$ 6,136,717

See accompanying note to supplementary information.

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

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
Basic Skills	$ 90,000	$ 20,371	$ 110,371
Cal Grant	300,117	178,250	478,367
Cal Works	157,811	-	157,811
Care	41,410	-	41,410
Child Development Center	2,051,250	-	2,051,250
Denti-Cal	-	140,919	140,919
Disabled Student Program and Services	281,028	-	281,028
Access to Print & Electronic Information	10,404	-	10,404
Deaf & Hard of Hearing	15,357	-	15,357
Extended Opportunity Program and Services	347,229	-	347,229
Full Time Student Access	160,360	14,400	174,760
Instructional Equipment and Library	205,993	119,286	325,279
Lottery	567,873	196,847	764,720
Other Categorical Allowances:			
Enrollment Fee Admin	44,061	-	44,061
Part-Time Faculty Allocation	114,925	-	114,925
Prop 10 Grant	1,090,000	-	1,090,000
Scheduled Maintenance and Repairs	205,994	96,421	302,415
Staff Diversity	-	341	341
Student Financial Aid Administration (SFAA)	156,575	-	156,575
Student Success-Credit	1,061,576	220,719	1,282,295
Student Success-Non-Credit	14,894	22,548	37,442
Student Success-Equity	446,935	299,485	746,420
Strong Wrokforce Program	130,120	-	130,120
Temporary Assistance to Needy Family (TANF)			
- State allocation	27,657	-	27,657
Total State Programs			

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
$ 110,371	$ -	$ 22,644	$ 87,727	$ 87,186
606,754	-	128,387	478,367	478,367
157,811	6,642	61,122	103,331	103,331
41,410	-	-	41,410	41,410
1,869,895	181,355	-	2,051,250	2,051,250
140,919	-	-	140,919	-
281,028	-	-	281,028	247,772
10,404	-	-	10,404	10,404
15,357	-	-	15,357	15,357
347,229	-	-	347,229	191,619
174,760	-	25,360	149,400	149,400
325,279	-	129,719	195,560	190,187
653,853	110,867	-	764,720	764,720
44,061	-	1,884	42,177	42,177
114,925	-	-	114,925	114,925
225,672	864,328	-	1,090,000	1,090,000
302,415	-	4,538	297,877	297,877
341	-	-	341	341
156,575	-	-	156,575	156,575
1,282,295	-	-	1,282,295	1,282,295
37,442	-	-	37,442	37,442
746,420	-	-	746,420	746,420
130,120	-	21,719	108,401	108,401
27,657	-	-	27,657	27,657
$ 7,802,993	$ 1,163,192	$ 395,373	$ 8,570,812	$ 8,235,113

WEST KERN COMMUNITY COLLEGE DISTRICT

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

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2016 only)			
1. Noncredit	-	-	-
2. Credit	151.59	-	151.59
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)			
1. Noncredit	-	-	-
2. Credit	138.97	-	138.97
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	1,181.67	-	1,181.67
(b) Daily Census Contact Hours	19.23	-	19.23
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	31.26	-	31.26
(b) Credit	234.63	-	234.63
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	795.48	-	795.48
(b) Daily Census Contact Hours	145.41	-	145.41
D. Total FTES	2,698.24	-	2,698.24
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit	2.12	-	2.12
2. Credit	95.43	-	95.43

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION FOR THE YEAR ENDED JUNE 30, 2017

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 Reported Data	Audit Adjustments	Revised Data	ECS 84362 B Total CEE AC 0100 - 6799 Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 3,680,093	$ -	$ 3,680,093	$ 3,680,093	$ -	$ 3,680,093
Other	1300	2,552,987	-	2,552,987	2,599,175	120,635	2,719,810
Total Instructional Salaries		6,233,080	-	6,233,080	6,279,268	120,635	6,399,903
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	1,524,082	180,248	1,704,330
Other	1400	-	-	-	441,817	30,822	472,639
Total Noninstructional Salaries		-	-	-	1,965,899	211,070	2,176,969
Total Academic Salaries		6,233,080	-	6,233,080	8,245,167	331,705	8,576,872
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	3,197,117	421,889	3,619,006
Other	2300	-	-	-	424,899	45,257	470,156
Total Noninstructional Salaries		-	-	-	3,622,016	467,146	4,089,162
Instructional Aides							
Regular Status	2200	238,259	-	238,259	296,459	-	296,459
Other	2400	27,146	-	27,146	27,146	-	27,146
Total Instructional Aides		265,405	-	265,405	323,605	-	323,605
Total Classified Salaries		265,405	-	265,405	3,945,621	467,146	4,412,767
Employee Benefits	3000	3,443,772	-	3,443,772	5,768,661	233,217	6,001,878
Supplies and Material	4000	-	-	-	390,364	14,702	405,066
Other Operating Expenses	5000	1,271,970	-	1,271,970	3,455,815	1,056,721	4,512,536
Equipment Replacement	6420	-	-	-	1,033	-	1,033
Total Expenditures Prior to Exclusions		11,214,227	-	11,214,227	21,806,661	2,103,491	23,910,152

See accompanying note to supplementary information.

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2017

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ -	$ -	$ -	$ 697,253	$ -	$ 697,253
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	33,312	-	33,312
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	347,125	-	347,125
Objects to Exclude							
Rents and Leases	5060	-	-	-	1,350	-	1,350
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	243,581	-	243,581
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2017

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 370,944	$ -	$ 370,944
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	1,693,565	-	1,693,565
Total for ECS 84362, 50 Percent Law		$ 11,214,227	$ -	$ 11,214,227	$ 20,113,096	$ 2,103,491	$ 22,216,587
Percent of CEE (Instructional Salary Cost/Total CEE)		55.76%		50.48%	100.00%		100.00%
50% of Current Expense of Education					$ 10,056,548		$ 11,108,294

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

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

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 3,303,752
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 3,303,752	$ -	$ -	$ 3,303,752
Total Expenditures for EPA		$ 3,303,752	$ -	$ -	$ 3,303,752
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

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

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

	General Fund-Unrestricted	General Fund-Restricted	Bookstore	Cafeteria	Bond Interest and Redemption
FUND BALANCE					
Balance, June 30, 2017, (CCFS-311)	$ 5,901,525	$ 3,194,763	$ 1,751,217	$ 154,663	$ 6,704,456
Adjustments to:					
Cash and cash equivalents	123,278	-	80,765	-	(182,078)
Accounts receivable	(1,487,985)	735,724	-	326,489	(15,188)
Due from other funds	3,080,016	-	-	-	-
Accounts payable	2,745,667	1,159,818	-	(20,104)	-
Due to other funds	43,939	(3,500,000)	-	-	-
Unearned revenue	(1,013,598)	(1,241,671)	-	-	-
Balance, June 30, 2017, as reported	$ 9,392,842	$ 348,634	$ 1,831,982	$ 461,048	$ 6,507,190

	Restricted Purpose Debt Service	Revenue Bond Capital Projects	Capital Outlay Projects	Revenue Bond Construction	Other Special Revenue - TIL
FUND BALANCE					
Balance, June 30, 2017, (CCFS-311)	$ 14,115,437	$ 618,161	$ (77,964)	$ 8,850,231	$ (2,326,435)
Adjustments to:					
Cash and cash equivalents	597,182	(65,091)	-	232,834	-
Accounts receivable	-	334,603	-	-	17,553
Student loans receivable	-	-	-	-	(149)
Due from other funds	-	(39,326)	170,636	-	-
Prepaid expenses	-	-	(1)	-	-
Accounts payable	-	-	-	(384,054)	-
Balance, June 30, 2017, as reported	$ 14,712,619	$ 848,347	$ 92,671	$ 8,699,011	$ (2,309,031)

	Funds are not reported on 311	
	Parking Fund	Impounds Fund
FUND BALANCE		
Balance, June 30, 2017, (CCFS-311)	$ -	$ -
Adjustments to:		
Cash and cash equivalents	65,090	5,643,481
Balance, June 30, 2017, as reported	$ 65,090	$ 5,643,481

See accompanying note to supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

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

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

Total Fund Balance - All District Funds		**$ 44,645,761**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 109,547,691	
Accumulated depreciation is	(35,739,414)	73,808,277
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		2,280,084
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modifiedaccrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		150,325
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		3,037,856
The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		224,897
The changes of assumptions are not recognized as an expenditure under the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(383,596)
Net pension liability is not due and payable in the current period and is not reported as a liability in the funds.		(26,059,742)
Long-term liabilities at year end consist of:		
Bonds payable including premiums		(39,041,034)
Certificates of participation		(24,740,000)
Other postemployment benefits		(406,767)
Total Net Position		$ 33,516,061

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

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

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 Act (EPA) Expenditure Report

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

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

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

INDEPENDENT AUDITOR'S REPORTS

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

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

Board of Trustees
West Kern Community College District
Taft, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of West Kern Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 31, 2017.

Emphasis of Matter - Change in Accounting Principles

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

Internal Control Over Financial Reporting

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the Schedule of Findings and Questioned Costs that we consider to be a significant deficiency and is described in item 2017-001.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 31, 2017.

Purpose of This Report

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

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 31, 2017

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

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

Board of Trustees
West Kern Community College District
Taft, California

Report on Compliance for Each Major Federal Program

We have audited West Kern Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2017. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 31, 2017

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

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
West Kern Community College District
Taft, California

Report on State Compliance

We have audited West Kern Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2017.

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment of K-12 Students in Community College Credit Courses
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP)
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Proposition55 Education Protection Account Funds

The District had no Proposition 1D and 51 State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 31, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WEST KERN COMMUNITY COLLEGE DISTRICT

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

FINANCIAL STATEMENTS	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major Federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No
Identification of major Federal programs:	

CFDA Numbers	Name of Federal Cluster
84.033, 84.063	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes
STATE AWARDS	
Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2017

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

2017-001 Finding

Criteria or Specific Requirement

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

Condition

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

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

Questioned Costs

There are no questioned costs associated with the condition noted.

Context

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

Effect

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

Cause

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

Recommendation

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

Management's Response and Corrective Action Plan

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 will 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.

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

None reported.

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

None reported.

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

None reported.

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

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Governing Board
West Kern Community College District
Taft, California

In planning and performing our audit of the financial statements of West Kern Community College District, for the year ended June 30, 2017, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted a matter that is an opportunity for strengthening internal controls and operating efficiency. The following item represents a condition noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 31, 2017, on the business-type financial statements of the District.

INTERFUND BALANCES

Observation

As in past years there are interfund payables of substantial amounts owed from the Independent Living (TIL) Fund of $2,781,951 and the Child Development Fund of $1,793,690. Interfund balances are only meant to account for short-term borrowings between funds or for services and charge backs between funds that should be repaid within a year. The noted balances have been rolling forward for a number of years and it does not appear given that both funds have negative ending funds balances and insufficient operating net income that the interfund payable will be able to be paid back. The interfund receivable which is recorded in the General Fund is, in essence, inflating the General Fund unrestricted balances for what appears to be uncollectable amounts, which total $4,575,641 or 48.7 percent of the General Fund's ending fund balance.

Recommendation

The balances noted above should be looked into by Administration and cleared with a permanent transfer of funds. If the administration wants to recoup these costs from the noted programs over several years, a policy should be adopted stating so and transfers should be made accordingly.

We will review the status of the current year comments during our next audit engagement.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 31, 2017

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UNAUDITED SUPPLEMENTARY INFORMATION

WEST KERN COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2017

	General Unrestricted	General Restricted	Bookstore	Cafeteria
ASSETS				
Cash and cash equivalents	$ 6,057,126	$ 556,439	$ 445,213	$ 488,963
Accounts receivable	1,772,943	1,262,765	239,592	24,053
Student loans receivable	446,734	92,407	-	-
Due from other funds	3,276,276	-	962,296	-
Prepaid expenses	126,987	194,419	1,907	-
Inventories	-	-	204,530	9,401
Total Assets	$ 11,680,066	$ 2,106,030	$ 1,853,538	$ 522,417
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 803,364	$ 611,530	$ 21,556	$ 61,369
Due to other funds	1,313,939	-	-	-
Unearned revenue	169,921	1,145,866	-	-
Total Liabilities	2,287,224	1,757,396	21,556	61,369
Fund Balances				
Restricted	-	-	-	-
Unassigned	9,392,842	348,634	1,831,982	461,048
Total Fund Balances	9,392,842	348,634	1,831,982	461,048
Total Liabilities and Fund Balances	$ 11,680,066	$ 2,106,030	$ 1,853,538	$ 522,417

See accompanying note to unaudited supplementary information.

Child Development	Bond Interest and Redemption	Restricted Purpose Debt Service	Revenue Bond Capital Projects	Capital Outlay Projects	Revenue Bond Construction
$ 22,750	$ 6,507,190	$ 11,997,930	$ 506,472	$ 1,504,106	$ 9,449,758
181,335	-	-	-	-	-
-	-	-	-	-	-
-	-	2,714,689	351,644	-	-
-	-	-	-	3,890	-
-	-	-	-	-	-
$ 204,085	$ 6,507,190	$ 14,712,619	$ 858,116	$ 1,507,996	$ 9,449,758
$ 58,518	$ -	$ -	$ 9,769	$ -	$ 750,747
1,793,690	-	-	-	1,415,325	-
-	-	-	-	-	-
1,852,208	-	-	9,769	1,415,325	750,747
(1,648,123)	6,507,190	14,712,619	848,347	92,671	8,699,011
-	-	-	-	-	-
(1,648,123)	6,507,190	14,712,619	848,347	92,671	8,699,011
$ 204,085	$ 6,507,190	$ 14,712,619	$ 858,116	$ 1,507,996	$ 9,449,758

WEST KERN COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEETS, Continued
JUNE 30, 2017

	Parking	Independent Living (TIL)	Impounds	Total Governmental Fund (Memorandum Only)
ASSETS				
Cash and cash equivalents	$ 65,090	$ 41,513	$ 5,643,481	$ 43,286,031
Accounts receivable	-	482,376	-	3,963,064
Student loans receivable	-	-	-	539,141
Due from other funds	-	-	-	7,304,905
Prepaid expenses	-	-	-	327,203
Inventories	-	-	-	213,931
Total Assets	$ 65,090	$ 523,889	$ 5,643,481	$ 55,634,275
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ -	$ 50,969	$ -	2,367,822
Due to other funds	-	2,781,951	-	7,304,905
Unearned revenue	-	-	-	1,315,787
Total Liabilities	-	2,832,920	-	10,988,514
Fund Balances				
Restricted	-	-	5,643,481	34,855,196
Unassigned	65,090	(2,309,031)	-	9,790,565
Total Fund Balances	65,090	(2,309,031)	5,643,481	44,645,761
Total Liabilities and Fund Balances	$ 65,090	$ 523,889	$ 5,643,481	$ 55,634,275

See accompanying note to unaudited supplementary information.

WEST KERN COMMUNITY COLLEGE DISTRICT

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

	General Unrestricted	General Restricted	Bookstore
REVENUES			
Federal revenues	$ 37,304	$ 5,992,193	$ -
State revenues	17,856,899	5,933,484	608
Local revenues	7,762,876	32,559	1,278,504
Total Revenues	25,657,079	11,958,236	1,279,112
EXPENDITURES			
Current Expenditures			
Academic salaries	8,576,871	1,994,431	9,403
Classified salaries	4,470,793	1,875,183	187,819
Employee benefits	6,001,878	1,238,682	81,324
Books and supplies	405,065	575,027	542,664
Services and operating expenditures	4,512,538	2,021,039	145,907
Capital outlay	106,265	815,775	1,455
Debt service - principal	-	-	-
Debt service - interest and other	6,135	-	-
Total Expenditures	24,079,545	8,520,137	968,572
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,577,534	3,438,099	310,540
OTHER FINANCING SOURCES (USES)			
Operating transfers in	3,500,000	-	-
Operating transfers out	(642,990)	(3,500,000)	-
Other uses	(1,732,954)	(5,041,687)	(52,605)
Total Other Financing Sources (Uses)	1,124,056	(8,541,687)	(52,605)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	2,701,590	(5,103,588)	257,935
FUND BALANCES, BEGINNING OF YEAR	6,691,252	5,452,222	1,574,047
FUND BALANCES, END OF YEAR	$ 9,392,842	$ 348,634	$ 1,831,982

See accompanying note to unaudited supplementary information.

Cafeteria	Child Development	Bond Interest and Redemption	Restricted Purpose Debt Service	Revenue Bond Capital Projects	Capital Outlay Projects
$ -	$ 107,220	$ -	$ -	$ -	$ -
608	1,944,031	-	-	-	-
762,730	(21,632)	7,162,683	1,657	520,332	20,405
763,338	2,029,619	7,162,683	1,657	520,332	20,405
9,403	90,629	-	-	-	-
324,294	1,266,155	-	-	-	-
156,138	519,083	-	-	-	-
422,032	179,144	-	-	47,035	308
8,297	116,173	-	-	169,739	55,822
4,352	-	-	-	335	-
-	-	1,980,000	935,000	-	-
-	-	1,708,270	954,319	-	-
924,516	2,171,184	3,688,270	1,889,319	217,109	56,130
(161,178)	(141,565)	3,474,413	(1,887,662)	303,223	(35,725)
472,354	-	-	210,000	-	170,636
-	-	-	-	(55,150)	-
-	-	-	119,858	-	-
472,354	-	-	329,858	(55,150)	170,636
311,176	(141,565)	3,474,413	(1,557,804)	248,073	134,911
149,872	(1,506,558)	3,032,777	16,270,423	600,274	(42,240)
$ 461,048	$ (1,648,123)	$ 6,507,190	$ 14,712,619	$ 848,347	$ 92,671

WEST KERN COMMUNITY COLLEGE DISTRICT

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

	Revenue Bond Construction	Parking	Independent Living (TIL)
REVENUES			
Federal revenues	$ -	$ -	$ -
State revenues	-	-	1,872,818
Local revenues	16,030	782	139,400
Total Revenues	16,030	782	2,012,218
EXPENDITURES			
Current Expenditures			
Academic salaries	-	-	144,061
Classified salaries	-	-	1,076,864
Employee benefits	-	-	492,850
Books and supplies	13,677	1,284	35,128
Services and operating expenditures	788,983	-	191,233
Capital outlay	2,665,959	-	1,641
Debt service - principal	-	-	-
Debt service - interest and other	-	-	664
Total Expenditures	3,468,619	1,284	1,942,441
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,452,589)	(502)	69,777
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	-	-	(154,850)
Other uses	236,259	-	-
Total Other Financing Sources (Uses)	236,259	-	(154,850)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(3,216,330)	(502)	(85,073)
FUND BALANCES, BEGINNING OF YEAR	11,915,341	65,592	(2,223,958)
FUND BALANCES, END OF YEAR	$ 8,699,011	$ 65,090	$ (2,309,031)

See accompanying note to unaudited supplementary information.

Impounds	Total Governmental Fund (Memorandum Only)
$ -	$ 6,136,717
-	27,608,448
931,820	18,608,146
931,820	52,353,311
-	10,824,798
-	9,201,108
-	8,489,955
-	2,221,364
-	8,009,731
-	3,595,782
-	2,915,000
-	2,669,388
-	47,927,126
931,820	4,426,185
-	4,352,990
-	(4,352,990)
-	(6,471,129)
-	(6,471,129)
931,820	(2,044,944)
4,711,661	46,690,705
$ 5,643,481	$ 44,645,761

NOTE TO UNAUDITED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

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.