

**WEST KERN
COMMUNITY COLLEGE DISTRICT**

**REVENUE BOND CONSTRUCTION FUND
(MEASURE A)
FINANCIAL AND PERFORMANCE AUDITS**

JUNE 30, 2018

**WEST KERN
COMMUNITY COLLEGE DISTRICT**

**REVENUE BOND CONSTRUCTION FUND
(MEASURE A)
FINANCIAL AUDIT**

JUNE 30, 2018

**WEST KERN COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND (MEASURE A)**

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JUNE 30, 2018**

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FINANCIAL SECTION



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

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INDEPENDENT AUDITOR'S REPORT

Governing Board and
Citizens Oversight Committee
West Kern Community College District
Taft, California

Report on the Financial Statements

We have audited the accompanying financial statements of the West Kern Community College District's (the District), Revenue Bond Construction Fund (Measure A), as of and for the year ended June 30, 2018, and the related notes to the 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 misstatement, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial statements, whether due to error or fraud. 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Revenue Bond Construction Fund (Measure A) of the West Kern Community College District at June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Building Fund specific to Measure A, and are not intended to present fairly the financial position and changes in financial position of West Kern Community College District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements of the West Kern Community College District's Revenue Bond Construction Fund (Measure A). The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Vannink, Trine, Day & Co., LLP

Fresno, California
January 15, 2019

**WEST KERN COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND (MEASURE A)**

**BALANCE SHEET
JUNE 30, 2018**

ASSETS

Cash and cash equivalents	\$ 4,937,456
Accounts receivable	6,188
Total Assets	<u><u>\$ 4,943,644</u></u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	<u>\$ 119,326</u>
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FUND EQUITY

Restricted	<u>4,824,318</u>
Total Liabilities and Fund Equity	<u><u>\$ 4,943,644</u></u>

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

**WEST KERN COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND (MEASURE A)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018**

REVENUES

Interest and investment income \$ 62,869

EXPENDITURES

Current Expenditures

Classified salaries 21,600

Employee benefits 1,900

Services and operating expenditures 883,730

Capital outlay 3,030,332

Total Expenditures 3,937,562

EXCESS OF REVENUES OVER

(UNDER) EXPENDITURES (3,874,693)

FUND BALANCE, BEGINNING OF YEAR 8,699,011

FUND BALANCE, END OF YEAR \$ 4,824,318

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

WEST KERN COMMUNITY COLLEGE DISTRICT REVENUE BOND CONSTRUCTION FUND (MEASURE A)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the West Kern Community College District Revenue Bond Construction Fund (Measure A) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The West Kern Community College District Revenue Bond Construction Fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

Financial Reporting Entity

The financial statements include only the Revenue Bond Construction Fund of the West Kern Community College District used to account for Measure A projects. This Fund was established to account for the expenditures of general obligation bonds issued under Measure A. These financial statements are not intended to present fairly the financial position and results of operations of the West Kern Community College District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Revenue Bond Construction Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Revenue Bond Construction Fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**WEST KERN COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND (MEASURE A)**

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

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

Fund Balance - Revenue Bond Construction Fund (Measure A)

As of June 30, 2018, the fund balance is classified as follows:

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Spending Order

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Cash in banks	\$ 374,641
Investments	<u>4,562,815</u>
Total Deposits and Investments	<u><u>\$ 4,937,456</u></u>

**WEST KERN COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND (MEASURE A)**

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

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 instrument; 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 agreement; 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 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement 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 are indicated in the schedules below:

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

**WEST KERN COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND (MEASURE A)**

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool. The District maintains a Revenue Bond Construction fund investment of \$963,956 with the Kern County Investment Pool, with an average maturity of 547 days.

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
U.S. Government					
Agency Securities	\$ 1,145,809	\$ 320,827	\$ 45,832	\$ 779,150	\$ -
Municipal Bonds	573,333	63,067	51,600	458,666	-
Corporate Bonds	1,003,569	260,928	230,821	481,713	30,107
Certificates of Deposit	876,149	210,276	35,046	630,827	-
Kern County Pool	953,440	505,323	295,566	152,551	-
Total	\$ 4,552,300	\$ 1,360,421	\$ 658,865	\$ 2,502,907	\$ 30,107

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
U.S. Government										
Agency Securities	\$ 1,145,809	N/A	\$ -	\$ 1,145,809	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal Bonds	573,333	N/A	275,200	68,800	229,333	-	-	-	-	-
Corporate Bonds	1,003,569	N/A	60,214	190,678	230,821	50,178	190,678	140,500	130,464	10,036
Certificates of Deposit	876,149	N/A	-	-	-	-	-	-	-	876,149
Kern County Pool	953,440	N/A	-	-	-	-	-	-	-	953,440
Total	\$ 4,552,300		\$ 335,414	\$ 1,405,287	\$ 460,154	\$ 50,178	\$ 190,678	\$ 140,500	\$ 130,464	\$ 1,839,625

N/A - Not Applicable

**WEST KERN COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND (MEASURE A)**

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

NOTE 3 - 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 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.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, consisted of accrued interest in the amount of \$6,188.

NOTE 5 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consist of \$119,326 due to vendors for services received.

NOTE 6 - CONTINGENCIES

Litigation

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

SUPPLEMENTARY INFORMATION

**WEST KERN COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND (MEASURE A)**

**SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2018**

Measure A of 2004

The bonds were authorized at an election by voters on March 2, 2004, at which 55 percent of more of the voters authorized issuance of \$39,800,000 of general obligation bonds. The Bonds have been issued as Series 2006B, Series 2007C, Series 2015A, Series 2015B, and Series 2015C.

2004 General Obligation Bonds, Series 2006B

The West Kern Community College District 2004 General Obligation Bonds, Series 2006B, in the aggregate principal amount of \$12,500,856 were issued by the Board of Supervisors of the County of Kern on behalf of the West Kern Community College District.

Interest with respect to the Current Interest Series B Bonds accrues from December 31, 2006, and is payable semiannually commencing on May 1, 2007, the interest rate is 3.7 percent - 4.86 percent. The Capital Appreciation Series B Bonds are dated the date of delivery of the Series B Bonds and accrete interest from such date, compounded semiannually on May 1 and November 1 of each year, commencing on May 1, 2007.

2004 General Obligation Bonds, Series 2007C

The West Kern Community College District 2004 General Obligation Bonds, Series 2007C, in the aggregate principal amount of \$12,297,305 were issued by the Board of Supervisors of the County of Kern on behalf of the West Kern Community College District.

Interest with respect to the Current Interest Series C Bonds accrues from October 1, 2007, and is payable semiannually commencing May 1, 2008, the interest rate is 3.6 percent - 4.68 percent. The Capital Appreciation Series C Bonds are dated the date of delivery of the Series C Bonds and accrete interest from such date, compounded semiannually on May 1 and November 1 of each year, commencing November 1, 2007.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

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

¹ The bonds were issued as refunding bonds for previous issuances.

**WEST KERN COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND (MEASURE A)**

**SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2018**

Debt Service Requirements to Maturity

2006 B - Capital Appreciation:

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

2007 C - Current Interest:

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

2007 C - Capital Appreciation:

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

**WEST KERN COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND (MEASURE A)**

**SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2018**

2015 A - Current Interest:

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

2015 B - Current Interest:

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

2015 C - Current Interest:

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

**WEST KERN COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND (MEASURE A)**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED REVENUE BOND CONSTRUCTION FUND (MEASURE A)
JUNE 30, 2018**

There are no adjustments to the fund balance reconciliation between the Revenue Bond Construction Fund (Measure A) as reported on the Annual Financial and Budget Report (311) and the audited financial statements.

**WEST KERN COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND (MEASURE A)**

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Long-Term Obligations

This schedule provides a debt repayment schedule associated with the bond proceeds received through issuance of Revenue Bond Construction Fund (Measure A) obligations.

**Reconciliation of Annual Financial and Budget Report With Audited Revenue Bond Construction Fund
(Measure A)**

This schedule provides the information necessary to reconcile the fund balance of the Revenue Bond Construction Fund (Measure A) reported on the Annual Financial and Budget Report (311) and the audited financial statements.

INDEPENDENT AUDITOR'S REPORT



**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***

Governing Board and
Citizens Oversight Committee
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 accompanying financial statements of the West Kern Community College District (the District) Revenue Bond Construction Fund (Measure A), as of and for the year ended June 30, 2018, and the related notes of the financial statements, and have issued our report thereon dated January 15, 2019.

As discussed in Note 1, the financial statements present only the Revenue Bond Construction Fund specific to Measure A, and are not intended to present fairly the financial position and changes in financial position of West Kern Community College District in accordance with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Kern Community College 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 West Kern Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the West Kern Community College 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be, significant deficiencies or material weaknesses. 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.

Compliance and Other Matters

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

Purpose of This Report

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

Vannink, Trine, Day & Co., LLP

Fresno, California
January 15, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**WEST KERN COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND (MEASURE A)**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2018**

None reported specific to the bond project accounting.

**WEST KERN COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND (MEASURE A)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018**

None reported.

**WEST KERN
COMMUNITY COLLEGE DISTRICT**

**REVENUE BOND CONSTRUCTION FUND
(MEASURE A)
PERFORMANCE AUDIT**

JUNE 30, 2018

**WEST KERN COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND (MEASURE A)**

**PERFORMANCE AUDIT
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JUNE 30, 2018**

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

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INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Governing Board and
 Citizens Oversight Committee
 West Kern Community College District
 Taft, California

We were engaged to conduct a performance audit of the West Kern Community College District (the District) Revenue Bond Construction Fund (Measure A) for the year ended June 30, 2018.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Revenue Bond Construction Fund (Measure A) funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
 January 15, 2019

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JUNE 30, 2018

AUTHORITY FOR ISSUANCE

The general obligation bonds associated with Measure A were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The Bonds are authorized to be issued by a resolution adopted by the Board of Education of the District.

The District received authorization at an election held on March 2, 2004, to issue bonds of the District in an aggregate principal amount not to exceed \$39,800,000 to finance specific approval by at least 55 percent of the votes cast by eligible voters within the District (the 2004 Authorization). The Bonds represent the first through third series of the authorized bonds to be issued under the 2004 Authorization.

PURPOSE OF ISSUANCE

The net proceeds of the Bonds and any other series of general obligation bonds issued under the Authorization will be used for the purposes specified in the District bond proposition submitted at the Election, which include expenditures related to the language approved by the voters on March 2, 2004. An excerpt from the ballot language is as follows:

"To improve the quality of education at Taft College, shall the West Kern Community College District be authorized to upgrade and expand the campus, provide access to computers and technology, construct a library media center for community use, and build classrooms, by issuing \$39,800,000 in bonds, with legal interest rates, with annual audits, a citizen's oversight committee and no money for teacher or administrators' salaries?"

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition of lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code Sections 15278-152825:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The community college district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the community college district to appoint a citizen's oversight committee.

WEST KERN COMMUNITY COLLEGE DISTRICT REVENUE BOND CONSTRUCTION FUND (MEASURE A)

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4. Requires the community college district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Revenue Bond Construction Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure A.
2. Determine whether salary transactions, charged to the Revenue Bond Construction Fund were in support of Measure A and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2017 to June 30, 2018. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2018 were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2018, for the Revenue Bond Construction Fund (Measure A). Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure A as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2017 and ending June 30, 2018, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$2,821,366 of the total expenditures of \$3,937,562 (72 percent).
3. We verified that funds from the Revenue Bond Construction Fund (Measure A) were generally expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.

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REVENUE BOND CONSTRUCTION FUND (MEASURE A)**

JUNE 30, 2018

CONCLUSION

The results of our tests indicated that, in all significant respects, the West Kern Community College District has properly accounted for the expenditures held in the Revenue Bond Construction Fund (Measure A) and that such expenditures were made for costs authorized by the voters of the District.

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

None reported.

**WEST KERN COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND (MEASURE A)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018**

None reported.