

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 23, 2019

NEW ISSUE -- FULL BOOK-ENTRY

Insured Rating: Standard & Poor's: "AA"

Underlying Rating: Standard & Poor's: "A"

See "RATINGS" herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to certain qualifications described herein, under existing law, the portion of Lease Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS".

\$11,360,000*

2020 CERTIFICATES OF PARTICIPATION

Evidencing the Direct, Undivided Fractional Interests of the

Owners Thereof in Lease Payments to be Made by the

WEST KERN COMMUNITY COLLEGE DISTRICT

to the Public Property Financing Corporation of California

(New Student Center Project)

Dated: Date of Delivery

Due: November 1, as shown on inside cover

Purposes. The captioned certificates of participation (the "Certificates") are being executed and delivered to (a) finance the construction of the new Student Center at Taft College of the West Kern Community College District (the "District"), and (b) pay certain costs of executing and delivering the Certificates, including, but not limited to, the premiums to acquire a certificate insurance policy and a reserve fund insurance policy to be credited to the Reserve Fund (defined herein). See "FINANCING PLAN" herein.

Security. The Certificates evidence direct, undivided fractional interests of the owners thereof in Lease Payments to be made by the District for the use and occupancy of certain real property and improvements under a Lease Agreement dated as of May 1, 2015, as amended and supplemented under a First Amendment and Supplement to Lease Agreement dated as of January 1, 2020 (collectively, the "Lease Agreement"), between the District and the Public Property Financing Corporation of California, a California nonprofit public benefit corporation (the "Corporation"). The Lease Payments will be payable from any source of available funds of the District, subject to the provisions of the Lease Agreement described herein regarding abatement and defeasance. The District is required under the Lease Agreement to take such actions as may be necessary to include all Lease Payments coming due in each of its annual budgets during the term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments. The semiannual Lease Payments payable under the Lease Agreement will comprise the interest and principal represented by the Certificates. The Certificates will be secured under a Trust Agreement dated as of January 1, 2020, among the District, the Corporation and U.S. Bank National Association, Los Angeles, California, as trustee (the "Trustee"). Under an Assignment Agreement dated as of January 1, 2020, between the Corporation and the Trustee, the Lease Payments will be irrevocably assigned to the Trustee for the benefit of the Owners of the Certificates. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES." See also "CERTAIN RISK FACTORS."

Interest. Interest represented by the Certificates will be payable on May 1 and November 1 of each year, commencing May 1, 2020. See "THE CERTIFICATES."

Book-Entry Only. When executed and delivered, the Certificates will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Certificates. Ownership interests in the Certificates may be purchased in book-entry form only. Beneficial owners of Certificates will not receive physical certificates representing the Certificates purchased, but will receive a credit balance on the books of the nominees of such purchasers who are participants of DTC. See "THE CERTIFICATES – Book-Entry Only System" and "APPENDIX F – Book-Entry Only System."

Payments. Principal and interest due with respect to the Certificates will be paid by the Trustee to DTC, which will in turn remit those payments to its participants for subsequent disbursement to the beneficial owners of the Certificates as described in this Official Statement. See "THE CERTIFICATES – Book-Entry Only System" and "APPENDIX F – Book-Entry Only System."

Prepayment. The Certificates are subject to optional prepayment, mandatory prepayment from net proceeds of insurance or condemnation and mandatory sinking fund prepayment prior to their maturity. See "THE CERTIFICATES – Prepayment."

Limited Obligation. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE DISTRICT, CORPORATION, COUNTY OF KERN, STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR OTHERWISE, OR AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES."

Certificate Insurance. Concurrently with the execution and delivery of the Certificates, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Certificates (the "Policy"). The Policy guarantees the scheduled payment of principal and interest with respect to the Certificates when due as set forth in the form of the Policy included as Appendix H to this Official Statement. See "CERTIFICATE INSURANCE" and "APPENDIX H - SPECIMEN MUNICIPAL BOND INSURANCE POLICY."



MATURITY SCHEDULE

(See inside cover)

This cover page contains information for quick reference only. It is not a summary of all the provisions of the Certificates. Investors must read the entire official statement to obtain information essential in making an informed investment decision. See "CERTAIN RISK FACTORS" herein for a discussion of factors that should be considered, in addition to the other matters set forth in this Official Statement, in evaluating the investment quality of the Certificates.

The Certificates are offered when, as and if executed and delivered, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel. Certain legal matters will be passed upon for the District by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel. Quint & Thimmig LLP, Larkspur, California, is serving as counsel to the Underwriter. It is anticipated that the Certificates will be available for delivery on or about, January 30, 2020*.



The date of this Official Statement is: _____, 2020

*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

\$11,360,000*
2020 CERTIFICATES OF PARTICIPATION
Evidencing the Direct, Undivided Fractional Interests of the
Owners Thereof in Lease Payments to be Made by the
WEST KERN COMMUNITY COLLEGE DISTRICT
to the Public Property Financing Corporation of California
(New Student Center Project)

MATURITY SCHEDULE

Maturity Date (November 1)	Principal Amount	Interest Rate	Yield	CUSIP†
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* Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services (CGS) which is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data is not intended to create a database and does not serve in any way as a substitute for the CUSIP® Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the District, the Corporation nor the Underwriter take any responsibility for the accuracy of such numbers.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any Certificate owner and the District or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced herein, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District or any other entity described or referenced herein since the date hereof.

Involvement of Underwriter. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Stabilization of and Changes to Offering Prices. The Underwriter may overallocate or take other steps that stabilize or maintain the market prices of the Certificates at levels above those that might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Certificates to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Document Summaries. All summaries of the Trust Agreement, the Site Lease, the Lease Agreement, the Assignment Agreement or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The Certificates have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Certificates have not been registered or qualified under the securities laws of any state.

Certificate Insurance. Assured Guaranty Municipal Corp. (“AGM” or the “Certificate Insurer”) makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, the Certificate Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Certificate Insurer, supplied by the Certificate Insurer and presented under the heading “CERTIFICATE INSURANCE” and in APPENDIX H.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Certificates will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the Corporation, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

Website. The District maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

**WEST KERN COMMUNITY COLLEGE DISTRICT
KERN COUNTY
STATE OF CALIFORNIA**

BOARD OF TRUSTEES

Dawn Cole, *President*
Emmanuel Campos, *Secretary*
Michael Long, *Trustee*
Dr. Kathy Garner Orrin, *Trustee*
Billy White, *Trustee*

DISTRICT ADMINISTRATIVE STAFF

Debra Daniels, *Superintendent/President*
Brock McMurray, *Executive Vice President, Administrative Services, CFO*
Amanda Bauer, *Executive Director, Fiscal Services*

FINANCIAL ADVISOR

Capitol Public Finance Group, LLC
Roseville, California

SPECIAL COUNSEL and DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

UNDERWRITER'S COUNSEL

Quint and Thimmig LLP
Larkspur, California

TRUSTEE

U.S. Bank National Association
Los Angeles, California

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OFFICIAL STATEMENT

\$11,360,000*

2020 CERTIFICATES OF PARTICIPATION

Evidencing the Direct, Undivided Fractional Interests of the
Owners Thereof in Lease Payments to be Made by the
WEST KERN COMMUNITY COLLEGE DISTRICT
to the Public Property Financing Corporation of California
(New Student Center Project)

INTRODUCTION

This Official Statement (which includes the cover page and Appendices hereto) (collectively, the “**Official Statement**”), provides certain information concerning the sale and delivery of the certificates of participation captioned above (the “**Certificates**”), which evidence the direct, undivided fractional interests of the Owners thereof in lease payments (the “**Lease Payments**”) to be made by the West Kern Community College District (the “**District**”) pursuant to a Lease Agreement dated as of May 1, 2015, as amended and supplemented under a First Amendment and Supplement to Lease Agreement dated as of January 1, 2020 (as so amended and supplemented, the “**Lease Agreement**”), between the District and the Public Property Financing Corporation of California (the “**Corporation**”).

All capitalized terms used in this Official Statement but not otherwise defined have the meanings set forth in the Trust Agreement (defined below) or the Lease Agreement. See “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”

The District. The District was established in 1922 and is located in the community of Taft in western Kern County (the “**County**”). The District operates a two-year community college on a single campus, known as Taft College. The District encompasses approximately 735 square miles and includes the elementary school districts of Taft City, Midway, McKittrick, and Elk Hills, the Taft Union High School District, and the Maricopa Unified School District, consisting of a population of about 23,400 residents. The three-year average enrollment in the District is estimated at 2,793 full-time equivalent students. See “THE DISTRICT.”

Use of Proceeds. The proceeds of the sale of the Certificates will be used for the following purposes:

- (i) to provide a portion of the funds to construct the new Student Center Project at Taft College, and
- (ii) to pay certain costs incurred in connection with the execution and delivery of the Certificates, which include, but are not limited to, the payment of premiums to obtain a certificate insurance policy (the “**Municipal Bond Insurance Policy**” or the “**Policy**”) and a reserve fund insurance policy (the “**Reserve Fund Policy**”) both to be issued by Assured Guaranty Municipal Corp. (“**AGM**” or the “**Certificate Insurer**”) concurrently with the delivery of the Certificates.

See “FINANCING PLAN.”

*Preliminary; subject to change.

Security and Sources of Payment. The Certificates evidence and represent the direct, undivided fractional interests of the registered owners (the “**Owners**”) thereof in the Lease Payments to be made by the District for the right to use certain the land and buildings which are part of the Taft College campus of the District (the “**Leased Property**”). See “THE LEASED PROPERTY” and “DISTRICT FINANCIAL INFORMATION – Long Term District Debt” herein.

In connection with the District’s participation in the execution and delivery of 2015 Refunding Certificates of Participation in the aggregate original principal amount of \$26,625,000 (the “**2015 Certificates**”), the District and the Corporation previously entered into a Site Lease dated as of May 1, 2015 (the “**Site Lease**”). Under the Site Lease, the District (as owner of the Leased Property) has leased the Leased Property to the Corporation. Concurrently, the District and the Corporation entered into a Lease Agreement dated as of May 1, 2015 (the “**2015 Lease Agreement**”), under which the District has subleased the Leased Property back from the Corporation. The original lease payments which are payable by the District under the 2015 Lease Agreement (the “**2015 Lease Payments**”) are evidenced and represented by the 2015 Certificates which have been executed and delivered under a Trust Agreement dated as of May 1, 2015, among the District, the Corporation and U.S. Bank National Association, as trustee. In accordance with the original provisions of the 2015 Lease Agreement, the District and the Corporation will enter into a First Amendment and Supplement to Lease Agreement dated as of January 1, 2020 (the “**Lease Supplement**”), under which the District agrees to pay supplemental lease payments (the “**Lease Payments**”) as additional rent for the use and occupancy of the Leased Property.

The Certificates will be executed and delivered under a Trust Agreement dated as of January 1, 2020 (the “**Trust Agreement**”), among the District, the Corporation and U.S. Bank National Association, Los Angeles, California, as trustee (the “**Trustee**”).

The Trustee and the Corporation will enter into an Assignment Agreement dated as of January 1, 2020 (the “**Assignment Agreement**”), under which the Corporation will assign to the Trustee for the benefit of the Certificate Owners substantially all of the Corporation’s right, title and interest in and to the Lease Agreement, including its right to receive the Lease Payments due under the Lease Agreement, provided that the Corporation will retain the rights to indemnification and to payment or reimbursement of its reasonable costs and expenses under the Lease Agreement.

See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES.”

LIMITED OBLIGATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE DISTRICT, THE CORPORATION, THE COUNTY OF KERN (THE “**COUNTY**”), THE STATE OF CALIFORNIA (THE “**STATE**”) OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OR OTHERWISE, OR AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Covenant to Appropriate; Abatement. The District is required under the Lease Agreement to take such actions as may be necessary to include all 2015 Lease Payments and Lease Payments coming due in each of its annual budgets during the Term of the Lease Agreement and to make the necessary annual appropriations for all such 2015 Lease Payments and Lease Payments. The semiannual Lease Payments payable under the Lease Agreement

will comprise the interest and principal represented by the Certificates. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES.”

However, the 2015 Lease Payments and the Lease Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the District’s right to the use and possession of the Leased Property or any portion thereof due to material damage to or destruction of the Leased Property or due to the taking of the Leased Property in eminent domain proceedings. If the Lease Payments are abated under the Lease Agreement, and are not paid from alternative sources as described in this Official Statement, the Certificate Owners would receive less than the full amount of principal and interest represented by the Certificates. To the extent proceeds of rental interruption insurance are available or there are moneys in the Reserve Fund with respect to the Certificates (as described below), the 2015 Lease Payments and Lease Payments (or a portion thereof) may be made from those sources during periods of abatement. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement” and “CERTAIN RISK FACTORS.”

Prepayment. The Certificates are subject to optional prepayment, mandatory prepayment from net proceeds of insurance or condemnation and mandatory sinking fund prepayment prior to their maturity. See “THE CERTIFICATES – Prepayment.”

Certificate Insurance; Reserve Fund Policy. Concurrently with the issuance of the Certificates, AGM will issue its Municipal Bond Insurance Policy for the Certificates. The Municipal Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Certificates when due, as set forth in the form of the Municipal Bond Insurance Policy included as an appendix to this Official Statement. See “CERTIFICATE INSURANCE” and APPENDIX H attached hereto. AGM is also providing a reserve fund insurance policy for credit to the Reserve Fund.

See “CERTIFICATE INSURANCE” and “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES - Reserve Fund.”

Legal Matters. The execution and delivery of the Certificates is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California (“**Special Counsel**”), to be delivered in substantially the form attached hereto as Appendix D. Jones Hall, A Professional Law Corporation, San Francisco, California, is also serving as Disclosure Counsel to the District (“**Disclosure Counsel**”). Quint & Thimmig, Larkspur, California, is serving as counsel to the Underwriter (“**Underwriter’s Counsel**”). *Payment of the fees of Special Counsel, Disclosure Counsel and Underwriter’s Counsel is contingent upon the delivery of the Certificates.*

Tax Matters. Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Special Counsel, under existing law, the portion of the Lease Payments designated as and comprising interest and received by the Owners of the Certificates is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Also, in the opinion of Special Counsel, such interest will be exempt from State of California personal income taxes. See “TAX MATTERS” and Appendix D hereto.

Certain Risk Factors. As described under the heading “CERTAIN RISK FACTORS,” there are investment considerations and other risk factors associated with the purchase of the Certificates. Any one or more of the risks discussed, and others, could lead to a decrease in the market value of the Certificates. Potential purchasers of the Certificates are advised to review

the entire Official Statement carefully and to conduct such due diligence and other review as they deem necessary and appropriate under the circumstances.

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, dated the date of the Certificates and executed by the District (the “**Continuing Disclosure Certificate**”). The form of the Continuing Disclosure Certificate is included in Appendix E hereto. See “CONTINUING DISCLOSURE.”

Summaries of Documents. The summaries or references to the Site Lease, the Trust Agreement, the Lease Agreement, the Assignment Agreement and other documents, agreements and statutes referred to in this Official Statement, and the description of the Certificates included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entirety by reference to each such document or statute.

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Certificates are available from the District, West Kern Community College District, 29 Cougar Court, Taft, California 93268; phone (661) 763-7727. The District may impose a charge for copying, mailing and handling.

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to each of such documents, statutes and constitutional provisions.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

END OF INTRODUCTION

THE FINANCING PLAN; THE PROJECT

General. The net proceeds of the Certificates will be applied to finance the construction of the District's new Student Center at Taft College, as more particularly described below (the "**Project**"). See also "SOURCES AND USES OF FUNDS" herein.

Project Fund. Pursuant to the Trust Agreement, the Trustee will establish a project fund (the "**Project Fund**") into which a portion of the Certificate proceeds will be deposited in order to finance the Project. Funds deposited in the Project Fund will be withdrawn by the Trustee upon the written request of the District to pay or reimburse Project Costs, as defined in the Trust Agreement. Pursuant to the Trust Agreement, the District may transfer the Project Fund to the County to be held in the County Treasury and drawn by the District therefrom for Project Costs. See "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS - TRUST AGREEMENT."

The Project - Taft College - New Student Center. The Project consists of a 21,000 square foot facility that will house a kitchen and dining hall, student lounge and game area, bookstore, Associated Student Body ("**ASB**") facilities and office space for the ASB Director, bookstore staff, campus security and other support spaces. Funds which have been identified for the Project are proceeds of voter-approved general obligation bonds (2004 Measure A), grant funds, and other lawfully available funds of the District. The District commenced construction of the Project in 2017 but the Project was subsequently delayed in July of 2018 (see the following paragraph). Construction is currently expected to re-commence, with an anticipated completion date of February 2021. During the construction period, interest on the Certificates will be capitalized.

Past Project Delay/District Claim Under 2017 Public Works Performance Bond. The District commenced construction of its new student center project in 2017. The Construction Contract for the Project (the "**2017 Contract**") was awarded through a competitive bidding process. In the bidding for the Project, Cal Averland submitted the lowest priced Bid Proposal. Terms of the 2017 Contract included a \$12.9 million construction budget and required Cal Averland to post a Public Works Performance Bond guarantee (the "**2017 Performance Bond**") with a penal sum equal to the contract amount of \$12.9 million. Funding identified by the District for the project was a combination of voter-approved general obligation bonds (2004 Measure A), grant funds, and other lawfully available District funds. In July 2018, the District terminated the 2017 Contract for cause due primarily to unsatisfactory work product and Cal Averland's failure to meet the construction schedule. At that time, approximately 40% of the project budget had been expended, and the project components that had been completed consisted largely of steel framing, interior slabs and other infrastructure. The District made a claim under the 2017 Performance Bond, and pursuant to the terms of the 2017 Performance Bond, the Surety Provider re-bid the project for a completion contractor, with the best bid obtained for a contract amount of which exceeded the original project budget, being bid at approximately \$18 million for remedial and completion work. The District subsequently re-bid the project in January 2019, and obtained a bid for \$16.3 million from Columbo Construction. In September, 2019, the District Board approved the new construction contract, with contract terms that include a 450 day start to completion term. The District has executed the contract and construction is expected to commence in December 2019, with funding to complete Project construction derived primarily with the proceeds of the Certificates described herein. The District continues to pursue its rights to funds under the 2017-Performance Bond with the assistance from its legal counsel, and expects to apply any such funds to prepay the Certificates described herein. Notwithstanding the \$12.9 million penal sum of the 2017 Performance Bond, the District does not and cannot guarantee

what its recovery under the 2017 Performance Bond will be, or the timing of receipt of those funds. No formal legal proceeding has been commenced to enforce the District's rights under the 2017 Performance Bond as of this date. However, the District may commence a formal dispute resolution process to enforce its rights under the 2017 Performance Bond. The District makes no representation as to how long it may take for its claim under the 2017 Performance Bond to be resolved, and if funds recovered under the 2017 Performance Bond will be sufficient to provide for the prepayment, in full or in part, of the Certificates. As described herein, the Certificates represent interests in the Lease Payments to be made by the District pursuant to the Lease Agreement, which are budgeted and appropriated annually from the District's general fund. See "SECURITY FOR THE CERTIFICATES" and "THE CERTIFICATES – Prepayment" herein.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Certificates are as follows:

Sources of Funds

Principal Amount of Certificates
Plus/Less Original Issue Premium/Discount

Total Sources

Uses of Funds

Project Fund
Lease Payment Fund⁽¹⁾
Delivery Costs⁽²⁾

Total Uses

(1) Capitalized interest.

(2) All estimated costs of issuance including, but not limited to, Underwriter's discount, printing costs, and fees of Special Counsel, Disclosure Counsel, Financial Advisor, Trustee, Certificate Insurance Policy premium and Reserve Fund Policy premiums, the rating agencies and certain other costs.

THE LEASED PROPERTY

Description and Location

Lease Payments will be made by the District under the Lease Agreement, together with the 2015 Lease Payments, for the use and possession of certain real property and improvements thereon owned by the District and part of the Taft College campus (the “**Leased Property**”).

More specifically, the Leased Property includes the District Administration Building, the Library/Media Center, the Science Building, Classrooms (T-Wing), Gymnasium, the Transition to Independent Living Center, the original Student Center/Vet Center Building, student dormitories, and the parcel on which the Project is being constructed. The Leased Property has a combined insured replacement value of over \$34 million, which does not include the value of the land or the value of the New Student Center Building which is under construction.

Fair Rental Value

The Lease Agreement provides that the 2015 Lease Payments, the Lease Payments and any Additional Payments which are payable in a Rental Period will constitute the total rental for the Leased Property for that Rental Period, and will be paid by the District in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during each Rental Period.

The Corporation and the District have agreed and determined in the Lease Agreement that the total 2015 Lease Payments, Lease Payments and Additional Payments represent the fair rental value of the Leased Property. In making such determination, consideration has been given to the estimated fair market value of the Leased Property, other obligations of the parties under the Lease Agreement, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the District and the general public.

Substitution

The Lease Agreement provides that, upon compliance with certain conditions specified therein, the District may substitute alternate real property for all or any portion of the Leased Property or to release a portion of the Leased Property from the Lease Agreement. See “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement.”

THE CORPORATION

The Corporation was organized on April 15, 1991, as a California nonprofit public benefit corporation. The Corporation was formed for the specific and primary purposes of benefiting California governmental agencies by participating with such governmental agencies in projects to maintain, improve and assist the activities of such governmental agencies by acquiring, purchasing, selling, leasing or otherwise transferring real and personal property in connection with such projects, and assisting the governmental agencies in financing, acquiring and constructing of such projects, as well as other purposes as specified in the Corporation’s articles of incorporation.

The Corporation has no financial liability to the owners of the Certificates with respect to the payment of Lease Payments by the City or with respect to the performance by the City of the other agreements and covenants it is required to perform.

The Corporation functions as an independent entity and its policies are determined by a board of directors. Under the bylaws of the Corporation, the board of directors of the Corporation consist of at least two but no more than five directors, holding office for terms of six years. The Corporation has no employees and the directors of the Corporation receive no compensation for work or service performed as Corporation directors.

[Remainder of page intentionally left blank.]

THE CERTIFICATES

Certificate Terms

General. The Certificates evidence and represent direct, fractional undivided interests of the Owners thereof in the principal and interest components of Lease Payments to be made by the District pursuant to the Lease Agreement.

The Certificates are dated the date of original delivery thereof and will be executed and delivered, without coupons, in denominations of \$5,000 or any integral multiple thereof, except that no Certificate shall represent principal payable in more than one year. The interest components evidenced by the Certificates will be due and payable semiannually on May 1 and November 1 of each year (each a “**Payment Date**”), commencing May 1, 2020.

Each Certificate shall be dated as of the date of its execution, and interest represented thereby shall be payable from the Payment Date next preceding the date of execution thereof, (a) unless it is executed following the close of business on the 15th day of the month preceding each Payment Date, whether or not such 15th day is a Business Day (a “**Record Date**”) and on or before the next succeeding Payment Date, in which event interest represented thereby shall be payable from such Payment Date, or (b) unless it is executed on or before the first Record Date, in which event interest represented thereby shall be payable from the day when the Certificates, duly executed by the Trustee, are delivered to the Underwriter; *provided, however*, that if, as of the date of any Certificate, interest represented by such Certificate is in default, interest represented thereby shall be payable from the Payment Date to which interest has previously been paid or made available for payment with respect to such Certificate. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Lease Payments evidenced by the Certificates will be payable no later than the fifth day preceding each Payment Date (in the event that any payment due under the Lease Agreement is due on a day which is not a Business Day, such payment shall be made on the next Business Day), the principal components of which will evidence interest components calculated at the rates per annum, all as set forth on the front inside cover page of this Official Statement.

Prepayment

The Certificates are subject to prepayment as described below. Capitalized terms used below and not defined have the meanings assigned to such terms in the Trust Agreement. See “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”

Optional Prepayment. The Certificates are subject to prepayment prior to their stated maturity from any legally available source of funds of the District commencing on February 1, 2023 and on any date thereafter, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within maturity, upon payment of a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Mandatory Prepayment from Sinking Fund Prepayments. The Certificates maturing on November 1, 20__ (the “**Term Certificates**”) are subject to mandatory sinking fund prepayment by lot on November 1 in each year as set forth in the following table, from the principal components of the Lease Payments required to be paid with respect to each of such dates, at a

prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the prepayment date, without premium, as follows:

Sinking Fund Prepayment Date (November 1)	Principal Amount To Be Prepaid
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Notwithstanding the foregoing, if some but not all of the Term Certificates are prepaid under the Trust Agreement, the aggregate principal amount of the Term Certificates to be prepaid in each year as reflected in the foregoing table shall be reduced by the aggregate principal amount of Term Certificates so prepaid, to be allocated among sinking fund installments on a pro rata basis in integral multiples of \$5,000 such that the resulting amount of principal represented by the Term Certificates subject to prepayment on any date is equal to the aggregate principal components of the Lease Payments coming due and payable on such date.

Mandatory Prepayment from Net Proceeds. The Certificates are subject to mandatory prepayment, in whole or in part on any Business Day, among maturities on a pro rata basis and by lot within a maturity, from the Net Proceeds of insurance or eminent domain proceedings credited towards the prepayment of the Lease Payments under the Lease Agreement and the Trust Agreement, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium. See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”

Prepayments from Net Proceeds and the resulting prepayment of Certificates that were purchased at a price greater than the applicable prepayment price could reduce the otherwise expected yield on such Certificates. See “RISK FACTORS – Early Prepayment of Certificates” herein.

Purchase In Lieu of Prepayment. In lieu of prepayment of Certificates as provided in the Trust Agreement and described above, amounts held by the Trustee for such prepayment may, at the written request of the District, be applied by the Trustee to the purchase of Certificates at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the District may in its discretion direct, but not to exceed the prepayment price which would be payable if such Certificates were prepaid.

Selection of Certificates. Whenever provision is made in the Trust Agreement for the prepayment of Certificates and less than all Outstanding Certificates of any maturity are called for prepayment, the Trustee shall select Certificates of such maturity for prepayment by lot. For the purposes of such selection, Certificates shall be deemed to be composed of \$5,000 portions, and any such portion may be separately prepaid. Whenever less than all Outstanding Certificates are called for redemption, the Certificates to be redeemed shall be called in such order as directed by the District, and absent such direction, on a proportionate basis.

Notice of Prepayment. The Trustee shall give notice of the prepayment of the Certificates on behalf and at the expense of the District. Such notice shall be mailed by first class mail with postage prepaid, to the Securities Depositories and to the Owners of Certificates designated for prepayment at their respective addresses appearing on the Registration Books, at least 20 days but not more than 60 days prior to the prepayment date. Such notice must:

- (a) state the prepayment date and prepayment price;
- (b) state the numbers or maturities of the Certificates to be prepaid, if less than all of the then Outstanding Certificates are to be called for prepayment;
- (c) if a Certificate is to be prepaid only in part, identify the portion of the Certificate which is to be prepaid;
- (d) require that such Certificates be surrendered on the prepayment date at the Office of the Trustee for prepayment at said prepayment price;
- (e) state that interest represented by the Certificates will not accrue from and after the prepayment date; and
- (f) state that on the prepayment date the principal represented by each Certificate will become due and payable, together with accrued interest represented thereby to the prepayment date, and that from and after such date interest represented thereby ceases to accrue and be payable.

Neither the failure to receive any such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment.

While the Certificates are subject to the book-entry system, the Trustee will not be required to give any notice of prepayment to any person or entity other than DTC and to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System and at the District's written direction, other securities depositories and information services. DTC and the DTC Participants shall have sole responsibility for providing any such notice of prepayment to the Beneficial Owners of the Certificates to be prepaid. Any failure at DTC to notify any DTC Participant, or any failure of a DTC Participant to notify the Beneficial Owner of any Certificates to be prepaid, of a notice of prepayment or its content or effect will not affect the validity of the notice of prepayment, or alter the effect of prepayment described below under "Effect of Prepayment."

Rescission of Prepayment Notice. The District may rescind any prepayment of the Certificates, and notice thereof, for any reason on any date prior to the date fixed for such prepayment by causing written notice of the rescission to be given to the Owners of the Certificates so called for prepayment. Notice of rescission of optional prepayment will be given in the same manner in which the notice of prepayment was originally given. The actual receipt of notice of such rescission is not a condition precedent to rescission and failure to receive such notice or any defect in such notice will not affect the validity of the rescission. The District, the Corporation and the Trustee have no liability to the Owners of any Certificates, or any other party, as a result of the District's decision to rescind an optional prepayment of the Certificates.

Effect of Prepayment. Moneys for the prepayment (including the interest to the applicable date of prepayment) of Certificates having been set aside in the Lease Payment Fund, the Certificates shall become due and payable on the date of such prepayment, and, upon presentation and surrender thereof at the Office of the Trustee, said Certificates shall be paid at the unpaid principal amount (or applicable portion thereof) represented thereby plus interest accrued and unpaid to said date of prepayment.

If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest represented thereby to said date of prepayment, shall be held by the Trustee so as to be available therefor on such date of prepayment, then, from and after said date of prepayment, interest represented by the Certificates shall cease to accrue and become payable. All moneys held by the Trustee for the prepayment of Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid, and shall be held by the Trustee in cash, uninvested.

Book-Entry Only System

The Certificates will be executed and delivered as fully registered certificates, registered in the name of Cede & Co. as nominee of DTC, and will be available to actual purchasers of the Certificates (the “**Beneficial Owners**”) in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined in this Official Statement) as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Certificates. See “APPENDIX F – Book-Entry Only System.” If the book-entry only system is no longer used with respect to the Certificates, the Certificates will be registered and transferred in accordance with the Trust Agreement, as described below.

Transfer and Exchange of Certificates

While the Certificates are subject to DTC’s book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See “APPENDIX F – Book-Entry Only System.” During any period in which the Certificates are not subject to DTC’s book-entry system, their exchange and transfer will be governed by provisions of the Trust Agreement summarized in “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”

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LEASE PAYMENT SCHEDULE

Following is the schedule of Lease Payments with respect to the Certificates. Under the Lease Agreement, Lease Payments are due the fifth Business Day immediately preceding each Payment Date shown below.

SCHEDULE OF LEASE PAYMENTS

Payment Date	Principal Component	Interest Component	Total Payments
May 1, 2020			
November 1, 2021			
May 1, 2021			
November 1, 2022			
May 1, 2022			
November 1, 2023			
May 1, 2023			
November 1, 2024			
May 1, 2024			
November 1, 2025			
May 1, 2025			
November 1, 2026			
May 1, 2026			
November 1, 2027			
May 1, 2027			
November 1, 2028			
May 1, 2028			
November 1, 2029			
May 1, 2029			
November 1, 2030			
May 1, 2030			
November 1, 2031			
May 1, 2031			
November 1, 2032			
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November 1, 2037			
May 1, 2037			
November 1, 2038			
May 1, 2038			
November 1, 2039			
May 1, 2039			
November 1, 2040			
May 1, 2040			
November 1, 2041			
May 1, 2041			
November 1, 2042			
May 1, 2042			
November 1, 2043			
May 1, 2043			
November 1, 2044			
May 1, 2045			
November 1, 2045			
May 1, 2046			
November 1, 2046			
May 1, 2047			
November 1, 2047			
May 1, 2048			
November 1, 2048			
May 1, 2049			
November 1, 2049			

TOTALS

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Nature of the Certificates

General. Each Certificate evidences and represents a direct, undivided fractional interest in the principal component of the Lease Payment due under the Lease Agreement on the payment date or prepayment date of such Certificate, and the interest component of all Lease Payments (based on the stated interest rate with respect to such Certificate) to accrue from the date of delivery to its principal payment date or prepayment date, as the case may be.

Assignment of Rights in Lease to Trustee. The Corporation, under the Assignment Agreement, will assign to the Trustee for the benefit of the Certificate Owners its right to receive Lease Payments to be paid by the District. As a result of such assignment, the District will pay Lease Payments directly to the Trustee, as assignee of the Corporation. See “– Lease Payments” below.

Lease Payments

General. For the right to the use and occupancy of the Leased Property, the Lease Agreement requires the District to make the 2015 Lease Payments and the Lease Payments. The District is required to pay to the Trustee, for deposit into the Lease Payment Fund established and maintained by the Trustee, on the fifth Business Day before each Payment Date, an amount sufficient to pay the Lease Payment then due.

Pursuant to the Trust Agreement, the Trustee shall withdraw moneys from the Lease Payment Fund on each Payment Date in amounts which equal the Lease Payment due on such Payment Date and shall cause all sums withdrawn from the Lease Payment Fund to be deposited in the Certificate Payment Account, and shall cause the same to be applied to the payment of principal and interest evidenced by the Certificates due on such Payment Date.

Scheduled Lease Payments relating to the Certificates are set forth above under the heading “LEASE PAYMENT SCHEDULE.”

Additional Rent. The Lease Agreement requires the District to pay, in addition to the 2015 Lease Payments and the Lease Payments, all costs and expenses incurred by the District under the Lease Agreement or under the Trust Agreement, or incurred by the Corporation to comply with the provisions of the Trust Agreement, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), annual compensation due to the Trustee and all of its reasonable costs and expenses (including amounts payable to the Trustee by virtue of indemnification) payable as a result of the performance of and compliance with its duties under the Trust Agreement, and all reasonable costs and expenses of attorneys, auditors, engineers and accountants engaged by the Corporation or the Trustee in connection with the Leased Property or the performance of their duties under the Lease Agreement or under the Trust Agreement (collectively, “**Additional Payments**”).

Covenant to Appropriate Funds. The District covenants under the Lease Agreement to take such action as may be necessary to include all 2015 Lease Payments, Lease Payments and all estimated Additional Payments due under the Lease Agreement in its annual budgets. The Lease Agreement provides that it shall be the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform such covenant.

See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS - The Lease Agreement - Lease Payments; Budget and Appropriation; Abatement.”

Abatement

The 2015 Lease Payments and the Lease Payments will be paid by the District in each rental period for the District’s right to use and occupy the Leased Property for such rental period. The obligation of the District to pay the 2015 Lease Payments and the Lease Payments will be abated, proportionately, during any period in which, by reason of damage or destruction, or taking in eminent domain or any defect in title to the Leased Property, there is substantial interference with the use and possession of the Leased Property by the District. The Lease Agreement provides that the amount of such abatement shall be determined by the District such that the resulting 2015 Lease Payments and Lease Payments represent the fair consideration for the use and possession of the portion of the Leased Property not damaged or destroyed or taken; provided, however, that such abatement shall not result so long as moneys in the Lease Payment Fund and the Reserve Fund and Net Proceeds of insurance and rental interruption insurance and condemnation awards are sufficient to make Lease Payments when and as due.

Such abatement will continue for the period commencing with such damage or destruction or taking and ending with the substantial completion of the work of repair or reconstruction; and the Term of the Lease shall be extended as provided in the Lease Agreement, except that the Term of the Lease will in no event be extended more than ten years beyond its original term, as provided in the Lease Agreement. Abatement of the 2015 Lease Payments and the Lease Payments is not an event of default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the District. In the event of any such partial damage or destruction or taking, the Lease Agreement will continue in full force and effect and the District waives any right to terminate the Lease Agreement by virtue of any such damage or destruction or taking. For information regarding rental interruption insurance, see “ – Covenant to Maintain Property Insurance” below.

The Trustee cannot terminate the Lease Agreement solely on the basis of such substantial interference. Abatement of the 2015 Lease Payments and the Lease Payments is not an event of default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the District. For a description of abatement resulting from condemnation of all or part of the Leased Property, see “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement – Lease Payments – Abatement.”

Limited Obligation

NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE THE 2015 LEASE PAYMENTS AND THE LEASE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE DISTRICT, THE CORPORATION, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OR OTHERWISE, OR AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Termination or Abatement Due to Eminent Domain. Under the Lease Agreement, if the Leased Property is taken permanently under the power of eminent domain or sold to a

government threatening to exercise the power of eminent domain, the Term of the Lease will cease with respect thereto as of the day possession is so taken.

If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, (a) the Lease Agreement will continue in full force and effect with respect thereto and will not be terminated by virtue of such taking, and the parties waive the benefit of any law to the contrary, and (b) there will be a partial abatement of the 2015 Lease Payments and the Lease Payments allocated thereto, in an amount to be determined by the District such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property, calculated in accordance with the Lease Agreement.

However, there will be no abatement of Lease Payments to the extent that amounts in the Reserve Fund, insurance proceeds and eminent domain proceeds are available to pay Lease Payments that would otherwise be abated under this provision, and such proceeds and amounts will constitute a special fund for the payment of the Lease Payments.

Lease Payment Fund

Establishment. Under the Trust Agreement the Trustee will establish a special fund designated as the "Lease Payment Fund." All moneys at any time deposited by the Trustee in the Lease Payment Fund will be held by the Trustee in trust for the benefit of the District and the Owners of the Certificates. The Lease Payment Fund will be established under the Trust Agreement for the sole benefit of the Owners of the Certificates and the Certificate Insurer, and amounts therein will not secure or be applied to the payment of the 2015 Lease Payments or the 2015 Certificates. The 2015 Lease Payments have been assigned for the security of the 2015 Certificates.

So long as any Certificates are Outstanding, neither the District nor the Corporation will have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement, and such moneys will be used and applied by the Trustee as set forth in the Trust Agreement.

Deposits. All Lease Payments received by the Trustee will be deposited in the Lease Payment Fund.

Application of Moneys. All amounts in the Lease Payment Fund will be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest represented by the Certificates as they become due and payable, in accordance with the Trust Agreement.

Lease Payment Fund; Surplus. Any surplus remaining in the Lease Payment Fund after prepayment and payment of all Certificates, including accrued interest (if any) and payment of any applicable fees and expenses to the Trustee, or provision for such prepayment or payment having been made to the satisfaction of the Trustee, will be withdrawn by the Trustee and remitted to the District.

Action on Default

If the District defaults under the Lease Agreement, the Trustee, as assignee of the Corporation's rights under the Lease Agreement, may terminate the Lease Agreement and recover certain damages from the District, or may retain the Lease Agreement and hold the

District liable for all 2015 Lease Payments and Lease Payments thereunder on an annual basis. The 2015 Lease Payments and the Lease Payments may not be accelerated upon a default under the Lease Agreement. See "CERTAIN RISK FACTORS."

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Corporation) contained in the Lease Agreement and the Trust Agreement, see "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

Reserve Fund

A reserve fund (the "**Reserve Fund**") is established by the Trust Agreement and is required to be funded in an amount of the "**Reserve Requirement**", being, as of the date of calculation thereof, an amount equal to the lesser of (a) 10% of the original principal amount of the Certificates, or (b) the maximum amount of Lease Payments (excluding Lease Payments with respect to which the District shall have posted a security deposit pursuant to the Lease) coming due in the current or any future Fiscal Year, or (c) 125% of average annual Lease Payments. The initial amount of the Reserve Requirement is defined in Appendix A hereto.

The Reserve Fund is required to be maintained until all Lease Payments are paid in full pursuant to the Lease Agreement and until the first date upon which the Certificates are no longer Outstanding.

The Reserve Requirement, or any portion thereof, may be satisfied by crediting to the Reserve Fund moneys, a letter of credit, a bond insurance policy, or any other comparable credit facility issued by an insurance company satisfying the requirements of the Trust Agreement. Amounts available in the Reserve Fund, including amounts available pursuant to any such reserve fund credit instrument, will be used to make delinquent Lease Payments on behalf of the District. On the Closing Date, the full amount of the Reserve Requirement will be satisfied by the delivery of the Reserve Fund Policy by the Certificate Insurer.

Amounts available in the Reserve Fund, including amounts available pursuant to the Reserve Fund Policy will be used to make delinquent Lease Payments in accordance with the Trust Agreement. As described herein, the Reserve Requirement will be satisfied by the credit to the Reserve Fund of the Reserve Policy issued by the Certificate Insurer. The Reserve Fund does not secure the payment of the 2015 Lease Payments or the 2015 Certificates.

See "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS" for a further description of the application of funds in the Reserve Fund.

Covenant to Maintain Property Insurance

The Lease Agreement requires the District to obtain public liability and property damage insurance, casualty insurance, rental interruption insurance, and to obtain a title insurance policy with respect to the Leased Property, as described below.

Public Liability and Property Damage Insurance. The District will maintain or cause to be maintained, throughout the Term of the Lease, comprehensive general insurance in protection of the Corporation, the District and their respective members, officers, agents, employees and assigns. Such insurance shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage

occasioned by reason of the operation of the Leased Property. Such insurance shall provide coverage in such liability limits and be subject to such deductibles as the District deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of a program of self-insurance by the District, or in the form of the participation by the District in a joint powers authority or other program providing pooled insurance. The District shall apply the Net Proceeds of such insurance toward extinguishment or satisfaction of the liability with respect to which such Net Proceeds are paid.

Casualty Insurance. The District will procure and maintain, or cause to be procured and maintained, at all times throughout the Term of the Lease, casualty insurance against loss or damage to the insured buildings, facilities and other improvements constituting any part of the Leased Property, in an amount at least equal to the lesser of (a) the replacement value of such buildings, facilities and improvements, or (b) the aggregate principal amount of the outstanding 2015 Certificates and the outstanding Certificates. Such insurance shall, as nearly as practicable, cover loss or damage by fire, explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and shall include earthquake coverage but only if such coverage is available at reasonable cost from reputable insurers in the reasonable determination of the District, whose determination is final and conclusive. Such insurance may be subject to such deductibles as the District deems prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the District in the form of self-insurance. The District shall apply the Net Proceeds of such insurance as provided in the Lease Agreement.

Rental Interruption Insurance. The District will procure and maintain, or cause to be procured and maintained, at all times throughout the Term of the Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the buildings, facilities and other improvements constituting any part of the Leased Property, as a result of any of the hazards covered by casualty insurance as described in the preceding paragraphs, in an amount at least equal to the maximum 2015 Lease Payments and Lease Payments coming due and payable during any two consecutive Fiscal Years during the remaining Term of the Lease Agreement. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the District in the form of self-insurance. The Net Proceeds of such insurance, if any, shall be paid to the Trustee and deposited in the Lease Payment Fund, and shall be credited towards the payment of the 2015 Lease Payments and the Lease Payments allocable to the insured improvements as the same become due and payable.

Title Insurance. The District shall obtain a CLTA title insurance policy from Stewart Title Company, insuring the District's leasehold estate in the Leased Property under the Lease Agreement, in an amount at least equal to the aggregate principal amount of the Certificates. All Net Proceeds received under such title insurance policy will be deposited with the Trustee in the Lease Payment Fund and credited towards the prepayment of the Lease Payments under the Lease Agreement.

See also "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement – Insurance."

Insurance and Condemnation Fund; Application of Net Proceeds

The Lease Agreement requires that Net Proceeds of any insurance or condemnation award with respect to the Leased Property (other than proceeds of rental interruption insurance, which are required to be deposited into the Lease Payment Fund) be paid to the Trustee to be applied as provided in the Trust Agreement. The Trust Agreement provides that such Net Proceeds received by the Trustee shall be deposited in the Insurance and Condemnation Fund and that the District shall, within 90 days of the deposit of Net Proceeds with the Trustee, file a certificate with the Trustee and the Net Proceeds shall be applied by the Trustee as follows:

Application of Net Proceeds of Insurance. Any Net Proceeds of insurance collected by the District in the event of accident to or destruction of any component of the Leased Property shall be paid to the Trustee under the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in a special fund designated as the "Insurance and Condemnation Fund" which the Trustee shall establish. If the District determines and notifies the Trustee in writing of its determination, within 90 days following the date of such deposit, that the replacement, repair, restoration, modification or improvement of the Leased Property is not economically feasible or in the best interests of the District, then such Net Proceeds shall be promptly transferred by the Trustee to the Lease Payment Fund and applied to the prepayment of 2015 Lease Payments and Lease Payments, on a pro rata basis, and the corresponding mandatory prepayment of 2015 Certificates and the Certificates, which prepayment shall be made on the first prepayment date for which notice of prepayment can be timely given. The determination of the District to apply Net Proceeds to the prepayment of Certificates is subject to the following:

- (a) if the Leased Property is damaged or destroyed in full, such Net Proceeds may be used to prepay the outstanding 2015 Certificates and Certificates only if such Net Proceeds, together with other available moneys, are sufficient to cause the corresponding prepayment of all 2015 Lease Payments and Lease Payments; and
- (b) if the Leased Property is damaged or destroyed in part but not in whole, such Net Proceeds may be used to prepay the outstanding 2015 Certificates and Certificates only if the 2015 Lease Payments and Lease Payments which result after the corresponding abatement thereof under the Lease Agreement are sufficient to pay the full amount of principal and interest represented by the 2015 Certificates and Certificates which remain outstanding after such prepayment.

All Net Proceeds deposited in the Insurance and Condemnation Fund and not so applied to the prepayment of the 2015 Certificates and the Certificates shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the District, upon receipt of written requisitions of the District stating with respect to each payment to be made (a) the name and address of the person, firm or corporation to whom payment is due, (b) the amount to be paid and (c) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation. Any balance of the Net Proceeds remaining after the District shall file a written certificate with the Trustee stating that such work has been completed shall, after payment of all amounts then due and owing to the Trustee hereunder, be paid to the District.

See “THE CERTIFICATES – Prepayment – Mandatory Prepayment from Net Proceeds.”

Application of Net Proceeds of Condemnation Award. The Trust Agreement provides that if all or any part of the Leased Property is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund, under the Lease Agreement, and shall be applied and disbursed by the Trustee as follows:

- (a) If the District gives written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the interest of the District in the Leased Property or the ability of the District to meet any of its financial obligations under the Lease Agreement, and (ii) that such proceeds are not needed for repair, replacement or rehabilitation of the Leased Property, and the District has given written notice to the Trustee of such determination, the Trustee shall apply such proceeds to the payment of the 2015 Lease Payments and the Lease Payments as they become due and payable.
- (b) If the District gives written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the interest of the District in the Leased Property or the ability of the District to meet any of its financial obligations under the Lease Agreement, and (ii) such proceeds are needed for repair, replacement or rehabilitation of the Leased Property, the Trustee shall pay to the District, or to its order, from said proceeds such amounts as the District may expend for the repair or rehabilitation of the Leased Property.
- (c) If (i) less than all of the Leased Property is taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the District gives written notice to the Trustee of its determination that such eminent domain proceedings have materially affected the interest of the District in the Leased Property or the ability of the District to meet any of its financial obligations under the Lease Agreement, or (ii) all of the Leased Property is taken in such eminent domain proceedings, then the Trustee shall apply such proceeds to the prepayment of the 2015 Lease Payments and the Lease Payments and to the corresponding mandatory prepayment of 2015 Certificates and the Certificates, which prepayment shall be made on the first prepayment date for which notice of prepayment can be timely given.

In making any such determination whether to repair, replace or rehabilitate the Leased Property as described above, the District may obtain, but is not required to obtain, at its expense, the report of an independent engineer or other independent professional consultant, a copy of which must be filed with the Trustee. Any such determination by the District is final. See also “THE CERTIFICATES – Prepayment – Mandatory Prepayment from Net Proceeds.”

CERTIFICATE INSURANCE

The following information has been furnished by the Certificate Insurer for use in this Official Statement. No representation is made as to the accuracy or completeness of this information, or the absence of material adverse changes therein at any time subsequent to the date hereof. Reference is made to APPENDIX H for a specimen of the Policy.

Certificate Insurance Policy

Concurrently with the issuance of the Certificates, Assured Guaranty Municipal Corp. (“**AGM**” or the “**Certificate Insurer**”) will issue a Municipal Bond Insurance Policy (the “**Policy**”) for the Certificates. The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as APPENDIX H to this Official Statement.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“**AGL**”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “**AGO**”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “**AA**” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“**S&P**”), “**AA+**” (stable outlook) by Kroll Bond Rating Agency, Inc. (“**KBRA**”) and “**A2**” (stable outlook) by Moody’s Investors Service, Inc. (“**Moody’s**”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On December 19, 2019, KBRA announced it had affirmed AGM’s insurance financial strength rating of “**AA+**” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On November 7, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Capitalization of AGM

At September 30, 2019:

- The policyholders' surplus of AGM was approximately \$2,473 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,100 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,829 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (filed by AGL with the SEC on May 10, 2019);

- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019 (filed by AGL with the SEC on August 8, 2019); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019 (filed by AGL with the SEC on November 8, 2019).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “CERTIFICATE INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “CERTIFICATE INSURANCE”.

THE DISTRICT

General Information

The District was established in 1922 and is located in the community of Taft (the “**City**”) in western Kern County (the “**County**”). The District operates a two-year community college on a single campus, known as Taft College, located at 29 Cougar Court, Taft, California. The District encompasses approximately 735 square miles and includes the elementary school districts of Taft City, Midway, McKittrick, and Elk Hills, the Taft Union High School District, and the Maricopa Unified School District, consisting of a population of about 23,400 residents. The three-year average enrollment in the District between fiscal years 2016-17 through 2018-19 is estimated at 2,793 full-time equivalent students.

Administration

Governing Board. The District is governed by a Board of Trustees (the “**Board**”) consisting of five members which are elected at-large. Members are elected to four-year terms which commence on December 4 following the election date. Elections are held every two years in even numbered years. The current members of the Board are as follows:

WEST KERN COMMUNITY COLLEGE DISTRICT Board of Trustees

<u>Trustee Name</u>	<u>Term Expires</u>
Dawn Cole, President	December 2022
Emmanuel Campos, Secretary	December 2022
Michael Long, Trustee	December 2022
Dr. Kathy Garner Orrin, Trustee	December 2020
Billy White, Trustee	December 2020

Administration. The day-to-day operations are managed by a Board-appointed Superintendent/President.

Employee Relations

The following table summarizes current bargaining units, contract status and number of employees covered.

WEST KERN COMMUNITY COLLEGE DISTRICT Fiscal Year 2019-20 Bargaining Organization and Contract Dates

<u>Bargaining Organization</u>	<u>Type Represented</u>	<u>Number of Employees</u>	<u>Contract Ending Date</u>
California Schools Employees Association	Classified	137	June 30, 2020
California Teachers Association	Certificated	59	June 30, 2020

Source: West Kern Community College District.

Recent Enrollment Trends

The following table shows the number of full-time equivalent students for the District for the fiscal years 2010-11 through 2019-20.

WEST KERN COMMUNITY COLLEGE DISTRICT
Annual Full-Time Equivalent Students
Fiscal Years 2008-09 through 2019-20 (Budgeted)

Fiscal Year	FTES	Percentage Change
2010-11	2,481	--%
2011-12	2,478	(0.1)
2012-13	2,539	2.5
2013-14	2,539	0.0
2014-15	2,529	(0.4)
2015-16	2,564	1.4
2016-17	2,841	10.8
2017-18	2,831	(0.4)
2018-19	2,909	2.8
2019-20 ⁽¹⁾	2,925	0.6

(1) Budgeted.

Source: West Kern Community College District.

Risk Management

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 District’s share of year-end assets, liabilities, or fund equity has not been calculated. During the year ended June 30, 2019, the District made payments of \$246,794 and \$3,784,187 to SISC for its workers’ compensation, health and welfare, respectively. The District also made payments to Statewide Association of Community Colleges for its property/liability coverage of \$113,094 and \$47,659 to Student Insurance for its student liability insurance coverage.

DISTRICT FINANCIAL INFORMATION

Funding of Community College Districts in California

Major Revenues. California community college districts (other than Basic Aid/community-supported districts, as described below) receive a majority of their funding from the State, and the balance from local and federal sources. State funds include general apportionment, categorical funds, capital construction, the lottery, and other minor sources. Local sources include property taxes, student fees, and miscellaneous sources.

The major local revenue source is local property taxes that are collected from within district boundaries, with student enrollment fees accounting for most of the remainder. A small part of a community college district's budget is from local sources other than property taxes and student enrollment fees, such as interest income, donations, educational foundation contributions and sales or leases of property.

The sum of property taxes, student enrollment fees, and State aid comprise a district's revenue limit. State funding is generally subject to the appropriation of funds in the State's annual budget. Thus, decreases in State revenues may affect appropriations made by the State Legislature to community college districts.

"Community supported" community college districts (also referred to "basic aid" districts) are those districts whose local property taxes, student enrollment fee collections, and Education Protection Account funds exceed the revenue allocation determined by the current State funding model. Thus, community supported districts do not receive any general apportionment funding from the State. The current law in the State allows these districts to keep the excess funds without penalty. The implication for community supported districts is that the legislatively determined annual COLAs and other politically determined factors are less significant in determining such districts' primary funding sources. Rather, property tax growth and the local economy become the determining factors. The District is not a community supported district.

Enrollment Based Funding – SB 361 (FY 2017-18 and Prior). From fiscal years 2006-07 to 2017-18, California community college districts were funded pursuant to the provisions of Senate Bill 361 ("**SB 361**"). Under SB 361, general apportionment revenues to community college districts were allocated based on criteria developed by the Board of Governors of the California Community Colleges in accordance with prescribed statewide minimum requirements. Annual allocations were based on the number of colleges and comprehensive centers in each district, plus funding received based on the number of credit and noncredit full time equivalent students ("**FTES**") in each district.

Under SB 361, minimum funding per FTES was: (a) not less than \$4,367 per credit FTES; (b) a uniform rate of \$2,626 per noncredit FTES; and (c) \$3,092 per FTES for the instructional category known as "career development and college preparation," all subject to cost of living adjustments.

Local revenues, consisting of local property taxes and student enrollment fees, were first used to satisfy a community college district's expenditures. Once these sources were exhausted, State funds were used to determine a district's revenue limit under SB 361.

Student Centered Funding Formula -- AB 1809 (Commencing FY 2018-19). Assembly Bill 1809 ("**AB 1809**"), a trailer bill to the 2018-19 State Budget, created a Student-Centered

Funding Formula for general purpose apportionments, which will be implemented over the next three years. The new formula allocates funding to community college districts based upon FTES, as well as additional factors. The three calculations in the formula are:

- (1) a **base allocation** consistent with the SB 361 formula described above;
- (2) a **supplemental allocation** based on the number of students who receive a California Promise Grant, Pell Grant or are students who qualify under Assembly Bill 540 for an exemption from paying nonresident tuition at California public universities; and
- (3) a **student success allocation** which will allocate funds for outcomes related to completion of associate degree transfers, associate degrees and bachelor's degrees, credit certificates, completion of transfer-level math and English within the first academic year of enrollment, transfer to four-year universities, completion of nine or more career technical education units and attainment of a regional living wage.

Formula Structure and Transition. The table below illustrates how community college district funding is implemented over a three year period:

**Student-Focused Funding Formula
Initially Implemented by State Budget for Fiscal Year 2018-19**

Funding Allocation	2018-19	2019-20*	2020-21
Base Grant	70%	70%	60%
Supplemental Grant	20	20	20
Student Success Incentive Grant	10	10	20

**Reflects revisions included in State Budget for Fiscal Year 2019-20.*

Hold Harmless Provision. In order to facilitate the transition of districts to the new funding formula, the legislation provides that during the initial three years of implementation, no community college district will receive less funding than it received in 2017-18, and each district will receive an increase to reflect a cost-of-living adjustment. The formula includes a “stability” provision that delays any decrease in revenue by one year.

Advisory Committees. As provided by statute, two advisory committees will be established reporting to the Chancellor’s Office and the Legislature.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California Community Colleges Budget and Accounting Manual. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

The financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities. The major fund classification is the general fund, which accounts for all financial

resources not required to be accounted for in another fund. The District's fiscal year begins on July 1 and ends on June 30. All governmental funds and fiduciary funds are maintained on the modified accrual basis of accounting, and so revenues are recognized when they become susceptible to accrual (that is, both measurable and available to finance expenditures for the current period). For more information on the District's accounting method, see Note 2 of "APPENDIX A – FISCAL YEAR 2018-19 AUDITED FINANCIAL STATEMENTS" attached hereto.

The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. GASB No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting; (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting; and (iv) required supplementary information.

Financial Statements

General. The District's Audited Financial Statements for fiscal year 2018-19 were prepared by Cossolias Wilson Dominguez Leavitt, Certified Public Accountants, San Diego, California and are attached as APPENDIX A. Audited financial statements for the District for prior fiscal years are on file with the District and available for public inspection at the Chancellor's Office. *The District considers its audited financial statements to be public information, and accordingly, no consent has been sought or obtained from the auditor in connection with the inclusion of such statements in this Official Statement. The auditor has made no representation in connection with inclusion of the audit in this Official Statement*

General Fund Revenues, Expenditures and Changes in Fund Balance. The following table sets forth the District's revenues, expenses and change in net assets for fiscal years 2014-15 through 2018-19 (as shown in the District's audited financial statements).

WEST KERN COMMUNITY COLLEGE DISTRICT
Summary of Revenues, Expenditures and Changes in Net Position
For Fiscal Years 2014-15 through 2018-19 (Audited)

	2014-15	2015-16	2016-17	2017-18	2018-19*
Operating Revenues					
Tuition and Fees	\$9,382,200	\$5,529,769	\$4,048,642	\$4,091,278	\$1,325,362
Less: Scholarship discount and allowances	(6,248,655)	(972,530)	(2,149,145)	(3,295,317)	--
Net tuition and fees	3,133,545	4,557,239	1,899,497	795,961	1,325,362
Other Operating Revenues	50				
Grants and Contracts, non-capital:					18,768,552
Federal	--	--	--	6,915,531	--
State	--	--	--	12,844,144	--
Net grants and contracts, non-capital	--	--	--	19,759,675	18,768,552
Total Operating Revenues	3,133,595	4,557,239	1,899,497	20,555,636	20,093,914
Operating Expenses					
Salaries	17,833,455	18,892,009	20,025,906	18,977,593	--
Employee benefits	6,941,080	7,307,400	8,715,031	9,982,746	--
Salaries and benefits	--	--	--	--	31,279,492
Supplies, materials and other operating expenses and services	18,638,988	18,578,127	11,143,245	13,273,362	7,272,741
Student financial aid	--	--	4,957,830	6,899,471	7,636,516
Equipment, maintenance, and repairs	246,064	1,155,269	--	688,542	--
Depreciation	2,273,071	3,124,343	2,949,180	3,270,796	3,370,570
Total Operating Expenses	46,382,658	49,057,148	47,791,192	53,092,510	49,559,319
Operating Loss	(43,249,063)	(44,499,909)	(45,891,695)	(32,536,874)	(29,465,405)
Non-Operating Revenues (Expenses)					
State apportionments, non-capital	11,907,900	10,343,531	16,538,495	14,930,588	18,729,695
Local property taxes, levied for general purposes	12,768,151	11,078,992	5,217,098	9,345,541	7,525,980
Taxes levied for other specific purposes	1,373,597	1,217,548	7,162,683	997,519	--
Federal grants	7,929,408	8,220,111	6,136,717	--	--
State grants	7,093,531	11,456,590	10,805,297	--	--
State taxes and other revenues	610,772	548,306	417,677	662,661	500,696
Investment income	87,968	689,250	198,967	528,661	145,829
Interest expense and issuance costs on capital related debt	(6,267,213)	(2,941,610)	(1,254,242)	(2,291,060)	(1,978,505)
Investment income on capital asset-related debt, net	3,155	1,963	1,324	19,882	--
Other nonoperating revenue/expenses	3,733,304	(1,281,097)	3,193,119	1,613,078	3,138,161
Total Non-Operating Revenues (Expenses)	39,240,573	39,333,584	48,417,135	25,806,451	26,975,989
Income (Loss) Before Other Revenues And Expenses	(4,008,490)	(5,166,325)	2,525,440	(6,730,423)	--
Other Revenues and Expenditures					
State revenues, capital	230,037	72,430	--	--	--
Local revenues, capital	3,274,304	29,830	935,458	10,678	--
State and local capital income					399,467
Total Other Revenues	3,504,341	102,260	935,458	10,678	399,467
Increase (decrease) in Net Position	(504,149)	(5,064,065)	3,460,898	(6,719,745)	(2,089,949)
Net Position, Beg. Of Year, as previously reported	66,020,528	35,119,228	33,055,163	33,726,561	10,352,843
Prior period adjustment	(30,397,152) ⁽¹⁾	--	--	(16,653,973) ⁽²⁾	1,634,268 ⁽³⁾
Net Position - Beg. of Year, as restated	\$35,623,376	35,119,228	33,055,163	17,072,588	--
Net Position - End of Year	\$35,119,227	\$30,055,163	\$33,516,061	\$10,352,843	\$9,897,162

*The District changed auditors for fiscal year ending June 30, 2019. As such, some of the categories are presented in a different format than prior years' audits.

(1) The beginning net position was decreased by \$30,397,152 due to, among other things, adjustments related to net pension liabilities related to CalPERS and STRS following the implementation of GASB Statements No. 68 and No. 71 during fiscal year 2014-15. See " – District Retirement Systems – GASB 67 and 68" herein. A portion of the beginning net position decrease related to the restatement of investments for escrow reported for defeased debt of \$10,188,970. See Note 17 of the 2014-15 audited financial statements of the District.

(2) The beginning net position decreased by \$16,653,973. This was due to adjustments made to bring on the net OPEB liabilities following the District's implementation of GASB Statements No. 75 during the year ended June 30, 2018. A portion of the beginning net position decrease related to the restatement of accounts payable related to debt service of \$210,500. See Note 16, Summary of Significant Accounting Policies, Change in Accounting Principles for further details on the implementation of GASB Statements No. 75 in the attached 2017-18 District Audit.

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

Source: West Kern Community College District.

The District implemented GASB Statements 68 and 71 in fiscal year 2014-15. This changed the recognition of OPEB liability from being amortized over 30 years to being amortized all in one year. These statements required the District to recognize a liability in that year, resulting in an artificial decrease in Net Position. Similarly, the District implemented GASB Statement 75 in fiscal year 2016-17 and applied it retroactively to fiscal year 2015-16. This statement required the District to recognize its share of the STRS and PERS unfunded liability, resulting in another artificial decrease in Net Position. Neither of these actions affected the District's real financial position or the funds available to the District.

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District Budget

The District is required by provisions of the State Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed revenues plus the carry-over fund balance from the previous year. The Board of Governors of the California Community Colleges imposes a uniform budgeting format for all California community college districts. Under current law, the District Board of Trustees approves a tentative budget by July 1 and an adopted budget by September 15 of each fiscal year. The presentation of the District's audits as summarized in the previous section is used only for District's external audit. The District manages its funds in a different format, including with respect to its budgets and unaudited actuals. The following table shows the District's adopted general fund figures for fiscal year 2019-20.

WEST KERN COMMUNITY COLLEGE DISTRICT General Fund Budget and Fund Balances, Revenues and Expenditures For Fiscal Year 2019-20 (Budgeted)

	2019-20 Budgeted
Beginning Balance, July 1	
Uncommitted	\$7,493,186
Committed	-
Restricted	1,351,921
Total Beginning Fund Balance	8,845,107
Revenues:	
State Apportionment & Education Protection Account (EPA) Funds	14,715,347
Basic Allocation Adjustment & COLA	5,163,851
Funding above 2017-18 final	-
Local Property Taxes	6,674,467
Enrollment Fees, 98%: 2017-18 & 2018-19 17,384,098, \$46/unit	798,986
Total Base Allocation, COLA & Growth	27,352,651
One Time Only Apportionment & Recalculation Funds	-
Lottery Funds	566,392
Other General Purpose	799,437
Restricted/Special Programs Revenue	7,034,280
Total Revenue	35,752,760
Total Revenue and Beginning Fund Balance	44,597,867
Expenditures/Appropriations:	
Academic Salaries	11,457,663
Classified Salaries	6,637,578
Employee Benefits	8,653,155
Books, Supplies & Materials	653,359
Other Operating Expenses	5,278,085
Capital Outlay	495,110
Interfund Transfers/Other Outgo	2,577,810
Total Expenditures/Appropriations and Interfund Transfers	35,752,760
Ending Fund Balance, June 30:	
Uncommitted	7,493,186
Committed	-
Restricted	1,351,921
Total Ending Fund Balance	8,845,107
Total Expenditures/Appropriations & Ending Fund Balance	\$44,597,867

Source: West Kern Community College District.

District Reserves The California Community College Chancellor’s Office recommends a prudent general fund unrestricted reserve of at least 5% of expenditures. District’s falling below the 5% may be subject to fiscal monitoring by the Chancellor’s Office. In addition, the District Board Policies require that the District maintain a 5% uncommitted contingency reserve.

District Retirement Systems

Qualified employees of the District are covered under multiple-employer defined benefit pension plans maintained by agencies of the State. Certificated employees are members of the State Teachers’ Retirement System (“**STRS**”) and classified employees are members of the Public Employees’ Retirement System (“**PERS**”). Both STRS and PERS are operated on a Statewide basis. *The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.*

Implementation of GASB Nos. 68 and 71. Commencing with fiscal year ended June 30, 2015, the District implemented the provisions of GASB Statement Nos. 68 and 71 which require certain new pension disclosures in the notes to its audited financial statements commencing with the audit for fiscal year 2014-15. Statement No. 68 generally requires the District to recognize its proportionate share of the unfunded pension obligation for STRS and PERS by recognizing a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. See “APPENDIX A - Audited Financial Statements of the District for Fiscal Year Ending June 30, 2018” and particularly Note 10.

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended. The program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers and the State. The District’s employer contributions to STRS for recent fiscal years are set forth in the following table.

**WEST KERN COMMUNITY COLLEGE DISTRICT
Historical STRS Contributions**

Fiscal Year	Contribution
2014-15	\$723,475
2015-16	922,151
2016-17	1,176,352
2017-18	1,296,536
2018-19	1,489,358
2019-20*	1,927,820

*Budgeted.

Source: West Kern Community College District.

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial

liability of approximately \$107.2 billion as of June 30, 2018 (the date of the last actuarial valuation). In connection with the State’s adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 (“**AB 1469**”), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan. AB 1469 addressed the funding gap by increasing contributions by employees, employers and the State. In particular, employer contribution rates are scheduled to increase through at least fiscal year 2020-21, from a contribution rate of 8.25% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

The District’s employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, and 2018-19 were 10.73%, 12.58%, 14.43% and 16.28% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2022-23 are set forth in the following table.

**EMPLOYER CONTRIBUTION RATES (STRS)
Fiscal Years 2019-20 through 2022-23**

Fiscal Year	Employer Contribution Rate⁽¹⁾
2019-20	18.13%
2020-21	18.10
2021-22 ⁽²⁾	18.10
2022-23 ⁽²⁾	18.10

(1) Expressed as a percentage of covered payroll.
(2) The employer contribution rate is projected to decrease in fiscal years 2021-22 and 2022-23. Projections may change based on actual experience.
Source: AB 1469

PERS. All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State. PERS provides retirement, disability, and death benefits to plan members and beneficiaries. The District is part of a cost-sharing pool within PERS known as the “Schools Pool.” Benefit provisions are established by State statutes, as legislatively amended. Contributions to PERS are made by employers and employees. Each fiscal year, the District is required to contribute an amount based on an actuarially determined employer rate. The District’s employer contributions to PERS for recent fiscal years are set forth in the following table.

**WEST KERN COMMUNITY COLLEGE DISTRICT
Historical CalPERS Contributions**

Fiscal Year	Contribution
2014-15	\$866,075
2015-16	917,548
2016-17	1,103,732
2017-18	1,174,531
2018-19	1,398,499
2019-20*	1,848,963

*Budgeted.

Source: West Kern Community College District.

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately \$27.2 billion as of June 30, 2018 (the date of the last actuarial valuation). To address this issue, the PERS board has taken a number of actions. In April 2013, for example, the PERS board approved changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. In addition, in April 2014, PERS set new contribution rates, reflecting new demographic assumptions and other changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy intended to incrementally lower its discount rate (its assumed rate of investment return) in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. In December 2016, PERS voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

**PERS Discount Rate
Fiscal Years 2018-19 through 2020-21**

Fiscal Year	Amount
2018-19	7.375%
2019-20	7.250
2020-21	7.000

Source: PERS.

The new contribution rates and underlying assumptions, which are aimed at eliminating the unfunded liability of PERS in approximately 30 years, were implemented for school districts beginning in fiscal year 2016-17, with the costs spread over 20 years and the increases phased in over the first five years.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, and 2018-19 were 11.847%, 13.888%, 15.531%, and 18.062% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2022-23 are set forth in the following table.

**EMPLOYER CONTRIBUTION RATES (PERS)
Fiscal Years 2019-20 through 2022-23⁽¹⁾**

Fiscal Year	Employer Contribution Rate ⁽²⁾
2019-20	20.800%
2020-21	23.500
2021-22	24.600
2022-23	25.300

(1) The PERS board is expected to approve official employer contribution rates for each fiscal year shown during the immediately preceding fiscal year.

(2) Expressed as a percentage of covered payroll.

Source: PERS

California Public Employees’ Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees’ Pension Reform Act of 2013 (“PEPRA”), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA’s provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

PERS has predicted that the impact of PEPRA on employees and employers, including the District and other employers in the PERS system, will vary, based on each employer’s current level of benefits. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) fifty percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e., employees in the STRS plan as of January 1, 2013). The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member’s contribution.

The District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any

legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

Additional Information. Additional information regarding the District's retirement programs is available in Note 13 to the District's audited financial statements attached hereto as APPENDIX A. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

Other Post-Employment Healthcare Benefits

Plan Description. The Benefits Trust Company ("**BTC**") administers the District's Post-employment Benefits Plan (the "**Plan**"). The Plan is a single-employer defined benefit plan that is used to provide post-employment benefits other than pensions ("**OPEB**") for eligible retirees and their spouses.

As of June 30, 2019, the Plan has 75 retirees receiving benefits and 145 participating active employees.

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

Contributions. The contribution requirements of Plan members and the District are established and may be amended by the District, the faculty union, the local California Service Employees Association ("**CSEA**"), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District and the groups. For fiscal year 2018-19, the District contributed \$1,747,490 to the Plan, of which \$1,130,262 was used for current premiums and \$617,228 was used to fund the OPEB Trust.

Changes in Net OPEB Asset of the District. The changes in net OPEB asset of the District as of June 30, 2019, are shown in the following table:

**CHANGES IN NET OPEB ASSET
West Kern Community College District**

	Total OPEB Liability (Asset)
Balance at 1, 2018	\$16,587,467
Changes for the year:	
Service Cost	407
Interest	,354,762
Employer contributions	(1,388,436)
Expected investment income	(390,716)
Investment gains/losses	70,464
Administrative expense	53,974
Expected benefit payments	=
Net changes	<u>(4,515)</u>
Balance at June 30, 2019	\$16,582,952

Source: West Kern Community College District 2018-19 Audited Financial Statement.

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

See "APPENDIX A - AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDING JUNE 30, 2019 - Note 11 - Other Postemployment Benefits."

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Long Term District Debt

The District has issued long-term debt in the form of general obligation bonds and refunding bonds and certificates of participation, as described below.

General Obligation Bonded Indebtedness. The following table summarizes the District's outstanding voter-approved general obligation bond indebtedness. See "DEBT SERVICE SCHEDULES" in the body of this Official Statement for the current annual debt service requirements of the District's outstanding bonds.

SUMMARY OF OUTSTANDING GENERAL OBLIGATION BOND DEBT West Kern Community College District

Issue	Date of Issue	Maturity Date	Original Principal Amount	Principal Outstanding October 1, 2019
<u>Election of 2004</u>				
Series 2004A	05/13/2004	06/01/2029	\$14,999,057.60	\$199,057.60
Series 2006B	12/21/2006	11/01/2031	12,500,856.26	106,110.25
Series 2007C	08/18/2007	11/01/2032	12,297,305.00	190,751.50
<u>Refundings</u>				
2015 Refunding, Series A	08/03/2015	11/01/2031	16,995,000.00	16,995,000.00
2015 Refunding, Series B	08/03/2015	11/01/2021	2,715,000.00	2,715,000.00
2019 Refunding	11/26/2019	11/01/2032	9,865,000.00	9,865,000.00
Totals			\$69,372,218.86	\$30,070,919.35

Certificate of Participation. On May 14, 2015, the District issued its 2015 Refunding Certificates of Participation in the aggregate principal amount of \$26,625,000 (the "**2015 Certificates**"). The 2015 Certificates mature through 2035 as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2020	\$1,035,000	\$20,700	\$1,055,700
2021	1,080,000	21,600	1,101,600
2022	1,125,000	28,125	1,153,125
2023	1,180,000	29,500	1,209,500
2024	1,240,000	31,000	1,271,000
2025-2029	7,050,000	133,391	7,183,391
2030-2034	8,250,000	138,448	8,388,448
2035	1,820,000	32,988	1,852,988
	\$22,780,000	\$435,752	\$23,215,752

Source: West Kern Community College District 2018-19 Audited Financial Statement.

The Certificates described herein represent interests in additional and supplemental Lease Payments made pursuant to the 2015 Lease Agreement.

State Funding of Education

General. The largest percentage of community college district revenues comes from the State in accordance with the State's formula for funding community college districts and the Proposition 98 minimum funding guarantee with respect to education appropriations. The following description of the State's budget has been obtained from publicly available information

which the District believes to be reliable; however, none of the District, its counsel or the Underwriter guarantees the accuracy or completeness of this information and have not independently verified such information. Additional information regarding State budgets is available at various State-maintained websites, including www.dof.ca.gov and www.lao.ca.gov. These websites are not incorporated herein by reference and none of the District, its counsel or the Underwriter make any representation as to the accuracy of the information provided therein or herein.

The State Budget Process. The State's fiscal year begins on July 1 and ends on June 30. According to the State Constitution, the Governor is required to propose a budget for the next fiscal year (the "**Governor's Budget**") to the State Legislature no later than January 10 of each year. State law requires the Governor to update the Governor's Budget projections and budgetary proposals by May 14 of each year (the "**May Revision**"). Proposition 25, which was adopted by voters in the State at an election held on November 2, 2010, amended the State Constitution such that a final budget must be adopted by a simple majority vote of each house of the State Legislature by no later than Jun 15 and the Governor must sign the adopted budget by no later than June 30. The budget becomes law upon the signature of the Governor (the "**Budget Act**").

Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the State Legislature takes up the proposal. The primary source of the annual expenditure authorizations is the Budget Act, as approved by the State Legislature and signed by the Governor. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the State Legislature. Appropriations also may be included in the legislation other than the Budget Act. Bills containing appropriations (except for K-12 school districts and community college districts (collectively, "**K-14 districts**") must be approved by a two-thirds majority vote in each house of the State Legislature and be signed by the Governor. Bills containing education appropriations for K-14 districts require only a simple majority vote. Continuing appropriations, available without regard for fiscal year, may also be provided by statute or the State Constitution. Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt. However, delays in the adoption of a final State budget in any fiscal year may affect payments of State funds during such budget impasse.

Recent State Budgets

Certain information about the State budgeting process and the State Budget is available through several State sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. The Internet websites shown below are shown for reference and convenience only. The information contained within these websites may not be current, has not been reviewed by the District or the Underwriter and is not incorporated in this Official Statement by reference.

- The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information," posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

- The California State Treasurer’s Office Internet home page at www.treasurer.ca.gov, under the heading “Financial Information,” posts the State’s audited financial statements. In addition, the Financial Information section includes the State’s Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness and Litigation from the State’s most current Official Statement, which discusses the State budget and its impact on school districts.
- The California Department of Finance’s Internet home page at www.dof.ca.gov, under the heading “California Budget,” includes the text of proposed and adopted State Budgets.
- The State Legislative Analyst’s Office (the “**LAO**”) prepares analyses of the proposed and adopted State budgets. Those analyses are accessible on the Legislative Analyst’s Internet home page at www.lao.ca.gov under the heading “Subject Area – Budget (State).”

2019-20 State Budget

On June 27, 2019, the Governor signed the 2019-20 State budget (the “**2019-20 State Budget**”) into law. The 2019-20 State Budget calls for total spending of \$214.8 billion, with \$147.8 billion in general fund spending. The 2019-20 State Budget provides for \$81.1 billion of funding through Proposition 98, the primary source of funding for K-12 school districts and community college districts, an increase of \$2.7 billion, or 3.4%, from the 2018-19 State budget. Of that \$81.1 billion, \$62.9 billion will be distributed to K-12 school districts through the LCFF, which will be fully funded during fiscal year 2019-20, restoring every school district in the State to at least pre-recession funding levels.

The 2019-20 State Budget continues to build State reserves, with the rainy-day fund balance projected to grow to \$16.5 billion by the end of the budget year. Additionally, revenues have been set aside in new savings funds, including a \$900 million reserve for safety net programs. Other significant features of the 2019-20 State Budget include:

- \$1.5 billion anticipated in Proposition 51 bond funds for school facilities and an additional \$1.2 million of ongoing Proposition 51 bond funds;
- \$5 million one-time funding for a long-term strategic plan to provide childcare and preschool for children from birth through age twelve;
- \$300 million one-time funding to construct new or retrofit existing facilities to support full-day kindergarten programs;
- \$645.3 million ongoing funding for special education, including \$152.6 million to provide all Special Education Local Plan Areas with at least the statewide target rate for base special education funding.
- \$147.4 million one-time and ongoing funding to address the shortage of teachers;

- \$918 million in additional funding to identify and implement recommendations and solutions to reduce wildfire risk, bolster the state's emergency preparedness capacity and protect vulnerable communities;
- \$518,000 one-time funding to reimburse cities, counties and special districts for 2018-2019 property tax losses and a corresponding \$530,000 that will be used to backfill property tax revenue losses for K-14 schools in those cities, counties and districts;
- \$460 million one-time general funding to increase the quality and availability of child care, including \$263 million for child care and preschool facilities expansion and \$195 million for childcare and preschool workforce development;
- one-time funding of \$750 million to support local governments in increasing and accelerating housing production;
- one-time funding of \$650 million to support local governments in addressing homelessness, to be used for emergency shelters and navigation centers, rapid rehousing, permanent supportive housing, job programs and hotel/motel conversions.
- \$42.6 million in ongoing Proposition 98 funding to support a second year of free tuition for students, extending the California College Promise to waive enrollment fees for first-time, full-time students for a second academic year.

Disclaimer Regarding State Budgets

The execution of the foregoing 2019-20 State Budget and future State Budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks associated with proposed spending reductions, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2019-20 State Budget, or subsequent State Budgets, will have on its own finances and operations.

The State has not entered into any contractual commitments with the District, the County, the Underwriter or the Owners of the Certificates to provide State Budget information to the District or the owners of the Certificates. Although they believe the sources of information listed below are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of the State Budget information set forth or referred to in this Official Statement or incorporated herein.

Availability of State Budgets

The complete 2019-20 State Budget is available from the California Department of Finance website at www.ebudget.ca.gov. Impartial analyses are published by the Legislative Analyst Office, and can be accessed at www.lao.ca.gov/budget. The District can take no responsibility for the continued accuracy of internet addresses referenced herein or for the

accuracy, completeness or timeliness of information posted on these sites, and such information is not incorporated in this Official Statement by these references. The information referred to above should not be relied upon when making an investment decision with respect to the Certificates.

Uncertainty Regarding Future State Budgets

The District cannot predict what actions will be taken in future years by the State legislature or the Governor to address the State's current or future revenues and expenditures or possible future budget deficits. Future State Budgets will be affected by national and State economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State Budget process results in reduced revenues to the District, the District will be required to make adjustments to its own budgets.

Ad Valorem Property Taxation

A portion of the District's revenues are derived from its share of local property taxes.

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Treasurer.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the local superior court clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Assessed Valuations

Generally. The assessed valuation of property in the District is established by the KERN County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as

defined in Article XIII A of the California Constitution. Prior to 1981-82, assessed valuations were reported at 25% of the full value of property. For a discussion of how properties currently are assessed, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS.” Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Assessed Valuation History. The following table sets forth recent history of the assessed value in the District.

**WEST KERN COMMUNITY COLLEGE DISTRICT
Assessed Valuations of All Taxable Property
Fiscal Years 2010-11 to 2019-20**

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2010-11	\$11,738,851,845	\$767,548,295	\$162,762,477	\$12,669,162,617	--%
2011-12	13,509,995,636	733,851,405	154,827,902	14,398,674,943	13.7
2012-13	14,575,147,167	635,388,083	200,206,267	15,410,741,517	7.0
2013-14	12,706,248,158	458,592,438	211,101,084	13,375,941,680	(13.2)
2014-15	14,051,633,182	377,046,502	190,405,746	14,619,085,430	9.3
2015-16	8,957,423,404	421,715,852	193,508,697	9,572,647,953	(34.5)
2016-17	5,984,820,851	329,276,485	153,130,796	6,467,228,132	(32.4)
2017-18	7,544,515,681	144,654,044	143,909,358	7,833,079,083	21.1
2018-19	7,699,677,550	180,213,519	126,390,154	8,006,281,223	2.2
2019-20	8,270,787,998	146,211,348	119,098,764	8,536,098,110	6.6

Source: California Municipal Statistics, Inc.

Factors Relating to Increases/Decreases in Assessed Value. General. As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and man-made or natural disasters such as earthquakes, fires, wildfires, floods and drought. Notable natural disasters in recent years include drought conditions throughout the State, which ended in 2017 due to record-level precipitation in late 2016 and early 2017, and wildfires in different regions of the State, and flooding and mudslides. The most destructive of the recent wildfires, which have burned thousands of acres and destroyed thousands of homes and structures, have originated in wildlands adjacent to urban areas. Seismic activity is also a risk in the region where the District is located. Although recent California wildfires have not occurred within District boundaries, the District cannot predict or make any representations regarding the effects that wildfires or any other type of natural or manmade disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have on economic activity in the District or throughout the State.

Oil and Gas Production Properties. The County is the largest petroleum-producing county in the State, and as identified by the data presented in the table entitled “Top Twenty 2019-20 Local Secured Taxpayers” herein, a large portion of property in the District is owned by gas and oil-producing properties. These properties are taxable as real property; however, special rules apply to the determination of their assessed value, and is determined by the Special Properties Section of the County Assessor's office. The State Board of Equalization is empowered to prescribe rules and regulations governing local assessors' uniform assessment of certain types

of properties, and pursuant to such authority, has adopted Rule 468 with respect to oil and gas producing properties. Rule 468 recognizes the unique nature of oil and gas property interests which require the application of specialized appraisal techniques designed to satisfy the requirements of State law with respect to property taxation. The appraisal methodology takes into account variables such as base year values of the property and mineral reserves, increases and reductions in recoverable amounts, proved reserves, discoveries, construction of improvements and changes in economic conditions, among others. As such, the value of oil and gas producing properties may be subject to more fluctuations in assessed values than other types of property.

Assessed Valuation by Jurisdiction. Shown below is the 2019-20 assessed valuation in the District by the different jurisdictions located within the District.

**WEST KERN COMMUNITY COLLEGE DISTRICT
2019-20 Assessed Valuation by Jurisdiction**

<u>Jurisdiction:</u>	<u>Assessed Valuation in District</u>	<u>% of District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in District</u>
City of Maricopa	\$ 27,876,222	0.33%	\$27,876,222	100.00%
City of Taft	412,408,361	4.83	\$412,408,361	100.00%
Unincorporated Kern County	<u>8,095,813,527</u>	<u>94.84</u>	\$54,527,229,837	14.85%
Total District	\$8,536,098,110	100.00%		
 Kern County	 \$8,536,098,110	 100.00%	 \$95,585,295,862	 8.93%

Source: California Municipal Statistics, Inc.

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Assessed Valuation by Land Use. The following table gives a distribution of taxable property located in the District on the fiscal year 2019-20 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

**WEST KERN COMMUNITY COLLEGE DISTRICT
2019-20 Assessed Valuation and Parcels by Land Use**

Non-Residential:	2019-20 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Agricultural	\$ 355,986,222	4.23%	2,090	16.91%
Commercial/Office	75,023,015	0.89	362	2.93
Vacant Commercial	3,732,592	0.04	189	1.53
Industrial	409,402,912	4.86	128	1.04
Vacant Industrial	4,726,438	0.06	25	0.20
Utility/Power Plants	146,211,348	1.74	20	0.16
Oil and Gas Production/Mineral Rights	6,767,622,262	80.40	915	7.40
Recreational	1,275,287	0.02	15	0.12
Government/Social/Institutional	<u>21,324,728</u>	<u>0.25</u>	<u>1,217</u>	<u>9.85</u>
Subtotal Non-Residential	\$7,785,304,804	92.50%	4,961	40.14%
Residential:				
Single Family Residence	\$530,560,573	6.30%	5,169	41.82%
Condominium/Townhouse	4,802,572	0.06	55	0.44
Mobile Home	40,125,631	0.48	637	5.15
2-4 Residential Units	22,105,962	0.26	265	2.14
5+ Residential Units/Apartments	8,256,149	0.10	43	0.35
Vacant Residential	<u>25,843,655</u>	<u>0.31</u>	<u>1,230</u>	<u>9.95</u>
Subtotal Residential	\$631,694,542	7.50%	7,399	59.86%
Total	\$8,416,999,346	100.00%	12,360	100.00%

(1) Local secured assessed valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Reassessments and Appeals of Assessed Value

There are general means by which assessed values can be reassessed or appealed that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution” in APPENDIX B.

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values, adjusted for inflation, when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Proposition 8 reductions may also be unilaterally applied by the County Assessor. The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers or by reductions initiated by the County Assessor. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding general obligation bonds, if any) may be paid.

Assembly Bill 102. On June 27, 2017, the Governor of the State (the “**Governor**”) signed into law Assembly Bill 102 (“**AB 102**”). AB 102 restructured the functions of the SBE and created two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration took over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE continues to perform the duties assigned by the State Constitution related to property taxes, however, effective January 1, 2018, the SBE will only hear appeals related to the programs it constitutionally administers and the Office of Tax Appeals will hear appeals on all other taxes and fee matters, such as sales and

use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

Alternative Method of Tax Apportionment— Teeter Plan

The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “**Teeter Plan**”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The District participates in the Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes.

So long as the Teeter Plan remains in effect, the District’s receipt of revenues with respect to the levy of *ad valorem* property taxes will not be dependent upon actual collections of the *ad valorem* property taxes by the County. However, under the statute creating the Teeter Plan, the Board of Supervisors can under certain circumstances terminate the Teeter Plan in part or in its entirety with respect to the entire County and, in addition, the Board of Supervisors can terminate the Teeter Plan with respect to the District if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3%. In the event that the Teeter Plan were terminated, the amount of the levy of *ad valorem* property taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

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Largest Secured Property Taxpayers in District

The following table shows the 20 largest secured property taxpayers in the District as determined by secured assessed valuation in fiscal year 2019-20.

WEST KERN COMMUNITY COLLEGE DISTRICT Top Twenty 2019-20 Local Secured Taxpayers

	2019-20	% of	
<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>Total ⁽¹⁾</u>
1. Chevron USA Inc.	Oil & Gas Production	\$2,250,977,746	26.74%
2. California Resources Elk Hills LLC	Oil & Gas Production	2,156,062,661	25.62
3. Sentinel Peak Resources Cal LLC	Oil & Gas Production	903,600,687	10.74
4. Berry Petroleum Company LLC	Oil & Gas Production	673,851,152	8.01
5. Aera Energy LLC	Oil & Gas Production	452,164,848	5.37
6. Seneca Resources Corporation	Oil & Gas Production	253,162,325	3.01
7. Sunrise Power Company LLC	Power Generation	140,400,000	1.67
8. Southern San Joaquin Production Inc.	Oil & Gas Production	82,297,210	0.98
9. Crimson Resource Management Corp	Oil & Gas Production	65,601,127	0.78
10. Sun Pacific Facilities LP	Food Processing	59,121,680	0.70
11. Maricopa Orchards LLC	Agricultural	56,308,882	0.67
12. Crestwood West Coast LLC	Industrial	47,923,546	0.57
13. Wonderful Citrus LLC	Agricultural	46,955,316	0.56
14. Nestle Purina Petcare Co.	Industrial	46,794,860	0.56
15. Calmat Co.	Industrial	39,145,076	0.47
16. TRC Cypress Group LLC	Oil & Gas Production	38,857,720	0.46
17. Holmes Western Oil Corp.	Oil & Gas Production	37,740,274	0.45
18. Paramount Ranch Co.	Agricultural	25,926,937	0.31
19. West Coast Grape Farms	Agricultural	25,313,447	0.30
20. Old River Groves LP	Agricultural	19,616,317	0.23
		<u>\$7,421,821,811</u>	<u>88.18%</u>

(1) 2019-20 local secured assessed valuation: \$8,416,999,346.

Source: California Municipal Statistics, Inc

Concentration of Property Ownership in the District. Secured assessed value in the Districts is concentrated in the top twenty secured taxpayers. The top two taxpayers account for over fifty percent of the secured assessed value in the District. Non-payment of property taxes by a large owner in the District could reduce the District's share of local property taxes, although so long as the County participates in the "Teeter Plan" further described below, the District will receive its share of such taxes, notwithstanding delinquencies. In addition, the County is the largest petroleum-producing county in the State, and as identified by the data presented in the foregoing table, a large portion of the assessed valuation of property in the District is represented by gas and oil producing properties.

Overlapping Debt Obligations

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and dated September 1, 2019. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases,

long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

WEST KERN COMMUNITY COLLEGE DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of September 1, 2019

2019-20 Assessed Valuation: \$8,536,098,110

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 9/1/19</u>
West Kern Community College District	100.000%	\$31,522,079 ⁽¹⁾
Maricopa Unified School District	100.000	3,895,000
Elk Hills School District	100.000	5,403,740
Midway School District	100.000	5,399,439
Taft School District	100.000	<u>25,337,702</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$71,557,960
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Kern County Certificates of Participation	8.930%	\$ 8,176,832 ⁽²⁾
Kern County Pension Obligation Bonds	8.930	16,061,627
Kern County Board of Education Certificates of Participation	8.930	3,225,070
West Kern Community College District Certificates of Participation	100.000	<u>22,780,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$50,243,529
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>		\$2,171,000
COMBINED TOTAL DEBT		\$123,972,489 ⁽³⁾

Ratios to 2019-20 Assessed Valuation:

Direct Debt (\$31,522,079)	0.37%
Total Overlapping Tax and Assessment Debt	0.84%
Combined Direct Debt (\$54,302,079)	0.64%
Combined Total Debt.....	1.45%

Ratio to Redevelopment Incremental Valuation (\$44,488,495):

Total Overlapping Tax Increment Debt	4.88%
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(1) Excludes the 2019 Refunding General Obligation Bonds issued on November 26, 2019, but Bonds includes the bonds refunded thereby.

(2) Excludes the Certificates.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

COUNTY INVESTMENT POOL

In accordance with Government Code Section 53600 *et seq.*, the Kern County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq.* In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. For further information concerning County investments, access the County's website: www.kerncounty.com. The information contained in such website has not been reviewed by the District and is not incorporated in this Official Statement by reference. See "APPENDIX G - KERN COUNTY INVESTMENT POLICY AND QUARTERLY REPORT."

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Articles XIII A, XIII B, XIII C, and XIII D of the State Constitution, Propositions 62, 98, 111, 187 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes.

Constitutionally Required Funding of Education

The State Constitution requires that from all State revenues, there shall be first set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. School districts receive a significant portion of their funding from State appropriations. As a result, decreases and increases in State revenues can significantly affect appropriations made by the State Legislature to school districts.

Article XIII A of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIII A to the State Constitution ("**Article XIII A**"). Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIII A approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness (which provided the authority for the issuance of the 2010 Note), and (iii) (as a result of an amendment to Article XIII A approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the KERN County assessor violated the 2% inflation adjustment provision of Article XIII A, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

Article XIII B of the California Constitution

Article XIII B ("**Article XIII B**") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years. However, in the event that a school district's revenues exceed its spending limit, the district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund under Section 8.5 of Article XVI of the State Constitution.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("**unitary property**"). Under the State Constitution, such property is assessed by the State Board of Equalization ("**SBE**") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Articles XIII C and XIII D

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIII C and XIII D (respectively, "**Article XIII C**" and "**Article XIII D**"), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIII C establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with

Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIII C to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

While the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the revenues available to pay Lease Payments and therefore payments due on the Certificates.

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “**Accountability Act**”). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as “K-14 school districts”) at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIII B surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Proposition 111

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("**Proposition 111**") which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California *per capita* personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It

is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the “**first test**”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to *per capita* personal income) and enrollment (the “**second test**”). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income (the “**third test**”). Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and *per capita* State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as “**Proposition 39**”) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, community college districts, including the District, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for an elementary school district or high school district), or \$25 (for a community college district), per \$100,000 of taxable property value. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning, in fiscal year 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, a constitutional initiative entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," approved on November 2, 2010, superseded many of the provisions of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Proposition 30 and Proposition 55

Proposition 30 appeared on the November 6, 2012 statewide ballot as an initiated constitutional amendment (“**Proposition 30**”), and it was approved by State voters. Proposition 30 increased the State sales tax from 7.25 percent to 7.50 percent, increased personal income tax rates on higher income brackets for seven years, and temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$340,000 but less than \$408,000 for head-of-household filers and over \$500,000 but less than \$600,000 for joint filers), (ii) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$408,000 but less than \$680,000 for head-of-household filers and over \$600,000 but less than \$1,000,000 for joint filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$680,000 for head-of-household filers and over \$1,000,000 for joint filers).

The revenues generated from the temporary tax increases are included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See “Proposition 98” and “Proposition 111” above. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the “**EPA**”). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

The California Children’s Education and Health Care Protection Act of 2016, also known as Proposition 55, was a constitutional amendment initiative that was approved on the November 8, 2016 general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030, instead of the scheduled expiration date of December 31, 2018. Proposition 55 did not extend the sales and use tax increase that was approved as part of Proposition 30. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges.

California Senate Bill 222

Senate Bill 222 (“**SB 222**”) was signed by the California Governor on July 13, 2015 and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter approved general obligation bonds which are secured by *ad valorem* tax collections are

secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds as secured debt in bankruptcy due to the existence of a statutory lien.

Future Initiatives and Changes in Law

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 98, 111, 1A, 22, 26, 30 and 39 were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures or other legislative enactments could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

CERTAIN RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Certificates. The discussion does not purport to be, nor should it be construed to be, complete nor a summary of all factors which may affect the financial condition of the District, the District's ability to make Lease Payments in the future, or the effectiveness of any remedies that the Trustee may have or circumstances under which Lease Payments may be abated.

No Pledge of Taxes

The Lease Payments and other payments due under the Lease Agreement are not secured by any pledge of taxes or other revenues of the District. The Lease Payments are secured by a District covenant to annually budget and appropriate sufficient funds to make Lease Payments from any lawfully available funds, including the general fund. In the event that the District's general fund revenues are less than its total obligations, the District may choose to pay other costs or expenses before making the Lease Payments.

The obligation of the District to pay the Lease Payments and Additional Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to pay Lease Payments and Additional Payments does not constitute a debt or indebtedness of the Corporation, the District, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease Agreement to pay Lease Payments and Additional Payments from any source of legally available funds (subject to certain exceptions) and the District has covenanted in the Lease Agreement that, for as long as the Leased Property is available for its use and possession, it will make the necessary annual appropriations within its budget for all Lease Payments and Additional Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES."

The District is currently liable on other obligations payable from general revenues and may incur additional obligations payable from its general fund.

Additional Obligations of the District

The District has existing obligations payable from its general fund. See "DISTRICT FINANCIAL INFORMATION – Long Term District Debt - Outstanding Long Term Lease Obligations." In addition, under the Lease Agreement the District is permitted to enter into other obligations which constitute additional charges against its revenues without the consent of owners of the Certificates. To the extent that additional obligations are incurred by the District, the funds available to pay Lease Payments may be decreased.

Limited Recourse on Default

Whenever any event of default referred to in the Lease Agreement happens and continues, the Trustee, as the assignee of the Corporation, is authorized under the terms of the Lease Agreement to exercise any and all remedies available under law or granted under the Lease Agreement.

Notwithstanding a default under the Lease Agreement, there is no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then due or past due to be immediately due and payable. Neither the Corporation nor the Trustee has any right to re-enter or re-let the Leased Property except following the occurrence and during the continuation of an event of default under the Lease Agreement.

Following an event of default, the Corporation may elect either to terminate the Lease Agreement and seek to collect damages from the District or to maintain the Lease Agreement in effect and seek to collect the Lease Payments as they become due. The Lease Agreement further provides that so long as an event of default exists under the Lease Agreement, the Corporation, or its assignee, may re-enter the Leased Property for the purpose of taking possession of all or any portion of the Leased Property and to re-let the Leased Property and, in addition, at its option, with or without such entry, to terminate the Lease Agreement as described therein. See "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement."

No assurance can be given that the Trustee will be able to re-let the Leased Property so as to provide rental income sufficient to pay principal and interest evidenced by the Certificates in a timely manner or that such re-letting will not adversely affect the exclusion of interest with respect thereto from gross income for federal or State income tax purposes. Due to the essential governmental purposes which are served by the Leased Property, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect to the Leased Property.

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the Term of the Lease and the Trustee is not empowered to sell the Leased Property and use the proceeds of such sale to prepay the Certificates or pay debt service with respect thereto. The District will be liable only for Lease Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against school districts in California, including a limitation on enforcement of

judgments against funds of a fiscal year other than the fiscal year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

Abatement

The obligation of the District under the Lease Agreement to pay Lease Payments is in consideration of the use and possession of the Leased Property.

Under certain circumstances relating to damage, destruction, condemnation or title defects with respect to the Leased Property which cause a substantial interference with the use and possession of the Leased Property, the District's obligation to make Lease Payments is subject to full or partial abatement and could result in the Trustee having inadequate funds to pay the principal and interest with respect to the Certificates as and when due. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement" and "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement." Abatement is not a default under the Lease Agreement and does not result in the Trustee having the right to take any action to avail itself of any remedy against the District.

Property Taxes

Levy and Collection. The District does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the District's share of local property tax revenues, and accordingly, could have an adverse impact on the ability of the District to make Lease Payments. Likewise, if the County was to discontinue the Teeter Plan, delinquencies in the payment of property taxes could have an adverse effect on the District's ability to pay principal and interest with respect to the Certificates when due.

Reduction in Inflationary Rate. Article XIII A of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS." Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. The District is unable to predict if any adjustments to the full cash value base of real property within the District, whether an increase or a reduction, will be realized in the future.

Appeals of Assessed Values. There are two types of appeals of assessed values that could adversely impact property tax revenues:

Proposition 8 Appeals. Most of the appeals that might be filed in the District would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. However, current case law is uncertain as to whether or not property may be adjusted to its prior value at once or if adjustments may only be made subject to the 2% limitation. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution – Inflationary Adjustment of Assessed Valuation."

Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Proposition 8 reductions may be unilaterally applied by the County Assessor, including across properties as a 'blanket' reduction. The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers or by reductions initiated by the County Assessor. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, could adversely affect the ability of the District to pay the Lease Payments.

No assurance can be given that property tax appeals in the future will not significantly reduce the District's property tax revenues.

Local Housing Market. Economic downturns, as those that have been experienced in recent years on a national scale, can have a negative impact on local property values, in part due to fallout from the subprime mortgage crisis, tight credit markets and the recession. High rates of foreclosures tend to depreciate values of homes in the overall market, which could lead to more Proposition 8 appeals. Although the District's total assessed valuation is again increasing, it is not possible to predict how a future mortgage crisis, tightening credit markets, increased foreclosure activity and major reductions in home prices throughout the region could affect home values, assessed values, assessment appeals or collections of property taxes by the County.

State Budget Considerations

School districts in California receive a significant amount of their funding from State appropriations, as determined in each year's State Budget. As a result, decreases in State

revenue sources may impact the amount of funds appropriated to school districts, as has occurred in recent years. A deterioration in the State's economy due to factors such as reduced income tax revenues and sales tax revenues can negatively impact the State Budget and the District's revenues, and therefore funds available to make Lease Payments. In addition, the State legislature has at times adopted legislation in connection with its annual budgets which may impact education funding, and may do so again in the future. The District cannot predict how State Budgets and future legislation may impact its finances.

Absence of Earthquake and Flood Insurance

If any portion of the Leased Property is destroyed or rendered useless by any form of natural hazard such as a fire, an earthquake or flood, an abatement could occur and result in the Trustee having inadequate funds to pay the principal and interest represented by the Certificates as and when due. The Lease Agreement does not require that the District to obtain earthquake or flood insurance on the Leased Property. As such, if damage or destruction occurs due to earthquake or flood, insurance proceeds will not be available for deposit into the Insurance and Condemnation Fund and applied to pay the Certificates or rebuild the Leased Property.

All building components of the Leased Property were constructed under the standards of the "Field Act" (California State Building Code, Title 24). The Field Act requires substantially higher construction standards for public schools and hospitals than are required for other types of construction. The Field Act requires that building systems be capable of withstanding seismic forces from the "most credible" earthquake likely to occur in the vicinity of the building system being constructed.

Early Prepayment of Certificates*

As described herein, the Certificates are subject to optional prepayment before their stated maturity at the option of the District, in whole, or in part by lot, on February 1, 2023, and on any date thereafter, from any source of available funds, upon payment of a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment, without premium. Certificate Owners should be aware that there is a risk that the Certificates will be prepaid prior to maturity pursuant to the optional prepayment provision described herein. Sources of repayment include any lawfully available moneys of the District, including but not limited to State grants that the District has applied for and may obtain, as well as proceeds of general obligation bonds which may be authorized and issued in the future.

In particular, the District may obtain funds pursuant to its current claim under a contractor performance bond made in connection with the Project and the original contractor. See "THE FINANCING PLAN; THE PROJECT" herein. In such event, the District anticipates applying those funds to the prepayment, in whole or in part, of the Certificates.

In addition, prepayment of the Certificates from Net Proceeds of insurance or condemnation may occur as provided in the Trust Agreement, and the resulting prepayment of Certificates that were purchased at a price greater than the applicable prepayment price could reduce the otherwise expected yield on such Certificates.

**Preliminary; subject to change.*

Limitations on Remedies; Bankruptcy

The rights of the owners of the Certificates are subject to the limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Certificates, and enforcement of the District's obligations under the Lease Agreement, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities in the State.

Bankruptcy proceedings under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the District, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights. See “– Limited Recourse on Default” above.

LEGAL OPINION

The proceedings in connection with the authorization, sale, execution and delivery of the Certificates are subject to the approval as to their legality of Jones Hall, A Professional Law Corporation, San Francisco, California (“**Special Counsel**”). A copy of the legal opinion, certified by the official in whose office the original is filed, will be attached to each Certificate, and a form of such opinion is attached as Appendix D. Jones Hall, A Professional Law Corporation, San Francisco, California, is acting as Disclosure Counsel to the District (“**Disclosure Counsel**”). Quint & Thimmig, Larkspur, California, is serving as counsel to the Underwriter (“**Underwriter's Counsel**”).

The fees of Special Counsel, Disclosure Counsel, the Trustee, the Underwriter and Underwriter's Counsel are contingent upon the execution and delivery of the Certificates.

FINANCIAL ADVISOR

Capitol Public Finance Group, LLC, Roseville, California, is acting as the District's financial advisor (the “**Financial Advisor**”) in connection with the Certificates. The Financial Advisor is a registered “Municipal Advisor” with the Securities Exchange Commission and the Municipal Securities Rulemaking Board. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The fees of the Financial Advisor with respect to the Certificates are contingent upon their sale and delivery. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to the qualifications set forth below, under existing law, the portion of Lease Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Certificates in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of execution and delivery of the Certificates.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Certificate is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Certificate is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Certificates to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Certificate. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Certificates who purchase the Certificates after the initial offering of a substantial amount of such maturity. Owners of such Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of purchasers who do not purchase in the original offering, to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Certificate (said term being the shorter of the Certificate's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Certificate for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Certificate is amortized each year over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Certificate premium is not deductible for federal income tax purposes. Owners of premium Certificates, including purchasers who do not purchase in the original offering, should consult their

own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Certificates.

California Tax Status. In the further opinion of Special Counsel, the portion of Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest with respect to the Certificates to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to Certificates issued prior to enactment.

The opinions expressed by Special Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Special Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest with respect to the Certificates, or as to the consequences of owning or receiving interest with respect to the Certificates, as of any future date. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

Owners of the Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates may have federal or state tax consequences other than as described above. Other than as expressly described above, Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Certificates, the ownership, sale or disposition of the Certificates, or the amount, accrual or receipt of interest with respect to the Certificates.

NO LITIGATION

There is no action, suit or proceeding known to be pending, or threatened, restraining or enjoining the execution or delivery of the Certificates, the Trust Agreement, the Lease Agreement, the Site Lease, the Assignment Agreement or any other document relating to the Certificates or in any way contesting or affecting the validity of the foregoing.

The District is subject to lawsuits and claims that arise in the regular course of administering the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"), is expected to assign a rating of "AA" to the Certificates, based on the understanding that AGM will deliver its Policy with respect to the Certificates. See "CERTIFICATE INSURANCE." S&P has assigned an underlying rating of "A" to the Certificates. There is no assurance that credit ratings given to the Certificates will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such a rating may have an adverse effect on the market price of the Certificates. Such a rating reflects only the views of the rating agencies and an explanation of the significance of the rating may be obtained from S&P.

CONTINUING DISCLOSURE

The District has covenanted, for the benefit of holders and beneficial owners of the Certificates to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board on an annual basis (an "**Annual Report**") not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing March 31, 2020, with the report for the 2018-19 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. The Annual Report and other required notices will be filed by the District with the Municipal Securities Rulemaking Board (the "**MSRB**") in the manner prescribed by the Securities Exchange Commission. The specific nature of such information is set forth below under the caption APPENDIX E – "Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "**Rule**").

The District has existing disclosure undertakings that have been made pursuant to the Rule in connection with the issuance of other outstanding general obligation bonds and refunding general obligation bonds. See "APPENDIX B - GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT - DISTRICT FINANCIAL INFORMATION - Indebtedness of the District." A review of the District's prior undertakings and filings made in the previous five years has been undertaken. Instances of non-compliance in the previous five years are that the audited financial statement and operating data for fiscal year 2013-14 was timely filed but was not linked to the Election of 2004, Series 2006-B current interest bonds (which as of 2016 were no longer outstanding) and direct and overlapping debt information was not filed as part of operating data in the previous five years but was required under existing undertakings. A corrective filing has been made to address this data. To note, some of the operating data that was required and was provided in the previous five years was not in each instance provided in the same format as the original offering documents.

In order to assist it in complying with its disclosure undertakings for its outstanding bonds and the Certificates, the District has engaged Capitol Public Finance Group, LLC, to serve as its dissemination agent with respect to its each of its disclosure undertakings, including the Continuing Disclosure Certificate to be executed in connection with the Certificates.

Neither the County, the Corporation nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure.

UNDERWRITING

The Certificates are being purchased by Hilltop Securities Inc. (the "**Underwriter**"). Under a Certificate Purchase Agreement (the "**Purchase Agreement**"), the Underwriter has agreed to purchase the Certificates at a purchase price of \$_____ (which is equal to the principal amount represented by the Certificates, plus/less original issue premium/discount of \$_____, less an Underwriter's discount of \$_____). The Purchase Agreement provides that the Underwriter will purchase all of the Certificates (if any are purchased), and the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

EXECUTION

The execution and delivery of this Official Statement have been duly authorized by the District.

WEST KERN COMMUNITY COLLEGE DISTRICT

By: _____
Executive Vice President,
Administrative Services, CFO

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Site Lease, the Lease Agreement, the Trust Agreement and the Assignment Agreement. This summary is not intended to be definitive and is qualified in its entirety by reference to such documents for the complete terms thereof. Copies of such documents are available upon request from the District.

DEFINED TERMS

The following terms have the following meanings, notwithstanding that any such terms may be elsewhere defined in this Official Statement. Any terms not expressly defined in this Summary but previously defined in this Official Statement have the respective meanings previously given.

“Additional Payments” means the amounts payable by the District under the Lease Agreement as described under the heading “THE LEASE AGREEMENT – Lease Payments; Budget and Appropriation; Abatement – Additional Payments” below.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income under Section 103 of the Tax Code.

“Business Day” means a day other than a Saturday, Sunday or legal holiday, on which banking institutions are not closed in the State of California, or in any state in which any Office of the Trustee is located.

“Certificate Insurance Policy” means the Municipal Bond Insurance Policy issued by the Certificate Insurer with respect to the Certificates.

“Certificate Insurer” means Assured Guaranty Municipal Corp., a New York stock insurance company, its successors and assigns, as issuer of the Certificate Insurance Policy and the Reserve Policy.

“Closing Date” means the day when the Certificates, duly executed by the Trustee, are delivered to the Underwriter.

“Completion Date” means, with respect to the Project, the date identified as the date of completion thereof in the written certificate of a District Representative under the Lease Agreement.

“Corporation Representative” means the President, Vice President, Treasurer or Secretary of the Corporation, or any other person authorized by resolution of the Board of Directors of the Corporation to act on behalf of the Corporation under or with respect to the Lease Agreement and the Trust Agreement.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the execution and delivery of the

Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (which shall include legal fees and the first annual administration fee of the Trustee), financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates, premiums payable to the Certificate Insurer for the Certificate Insurance Policy and the Reserve Policy, and any charges and fees in connection with the foregoing.

“Cost of Issuance Fund” means the fund by that name established and held by the Trustee under the Trust Agreement.

“District Representative” means the Superintendent/Principal, the Executive Vice President Administrative Services, CFO or any other person authorized by resolution of the Board of Trustees of the District to act on behalf of the District under or with respect to the Lease Agreement and this Trust Agreement.

“Event of Default” means an event of default under the Lease, as defined in the Lease Agreement.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and (b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

“Fiscal Year” means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period by the District as its fiscal year pursuant to written notice filed with the Trustee.

“Insurance and Condemnation Fund” means the fund by that name to be established and held by the Trustee under the Trust Agreement.

“Lease Agreement” means the Lease Agreement dated as of May 1, 2015, between the Corporation as lessor and the District as lessee, as amended and supplemented pursuant to the First Amendment and Supplement to Lease Agreement dated as of January 1, 2020, and together with any other duly authorized and executed amendments and supplements thereto.

“Lease Payment Date” means, with respect to any Payment Date, the fifth Business Day preceding such Payment Date.

“Lease Payment Fund” means the fund by that name established and held by the Trustee under the Trust Agreement.

“Leased Property” means all of the land which is more particularly described in Appendix A to the Lease Agreement, which includes the Project and the land on which it is situated. If the District exercises its option under the Lease Agreement with respect to the substitution of property or its option under the Lease Agreement with respect to the release of property, the term “Leased Property” will thereupon be modified accordingly.

“Net Proceeds” means any insurance proceeds or eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers), paid with respect to the Leased Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“Office” means the corporate trust office of the Trustee in Seattle, Washington, provided that for purposes of payment, prepayment, exchange, transfer, exchange, surrender and cancellation of Certificates, such term means the corporate trust office of the Trustee in St. Paul, Minnesota, or such other or additional offices as the Trustee may designate in writing to the Corporation from time to time as the corporate trust office for purposes of the Trust Agreement.

“Outstanding”, when used as of any particular time with respect to Certificates, means (subject to certain provisions of the Trust Agreement) all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except (a) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Certificates deemed to have been paid under the Trust Agreement; and (c) Certificates in lieu of or in exchange for which other Certificates has been executed and delivered by the Trustee under the Trust Agreement.

“Owner”, when used with respect to a Certificate, means the person in whose name the ownership of such Certificate shall be registered on the Registration Books.

“Permitted Encumbrances” means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the District may permit to remain unpaid under the Lease Agreement; (b) the Site Lease, the Lease Agreement and the Assignment Agreement; (c) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (d) the exceptions disclosed in the title insurance policy with respect to the Leased Property issued as of the Closing Date by Stewart Title Guaranty Company and which the District certifies in writing will not materially impair the use of the Leased Property for its intended purposes; and (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the District certifies in writing will not materially impair the use of the Leased Property for its intended purposes.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (a) Federal Securities;
- (b) Obligations of any agency, department or instrumentality of the United States of America which are rated A or better by S&P.
- (c) Interest-bearing deposit accounts (including certificates of deposit) in federal or State of California chartered savings and loan associations or in federal or State of California banks (including the Trustee and its affiliates), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation.
- (d) Commercial paper rated “A-1+” or better by S&P at the time of the purchase thereof.

- (e) Federal funds or bankers acceptances with a maximum term of one year of any bank, including the Trustee and its affiliates, which an unsecured, uninsured and unguaranteed obligation rating of "A-1+" or better by S&P.
- (f) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, which funds may include funds for which the Trustee, its affiliates, parent or subsidiaries receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise.
- (g) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, and which are either (a) rated A or better by S&P, or (b) fully secured as to the payment of principal and interest by Permitted Investments described in clauses (a) or (b).
- (h) Bonds or notes issued by any state or municipality which are rated A or better by S&P.
- (i) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"Project Costs" means, with respect to the Project, all costs of the acquisition, construction and improvement thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

- (a) all costs required to be paid to any person under the terms of any agreement for or relating to the acquisition, construction and improvement of the Project;
- (b) obligations incurred for labor and materials in connection with the acquisition, construction and improvement of the Project;
- (c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition, construction and improvement of the Project;
- (d) all costs of engineering, architectural services and other preliminary investigation expenses, including the actual out-of-pocket costs for site investigations, surveys, hazardous materials investigations, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and improvement of the Project;
- (e) any sums required to reimburse the Corporation or the District for advances made for any of the above items or for any other costs incurred and for work done, including but not limited to administrative costs of the Corporation or

the District, which are properly chargeable to the acquisition, construction and improvement of the Project;

- (f) all financing costs incurred in connection with the acquisition, construction and improvement of the Project, including but not limited to Costs of Issuance and other costs incurred in connection with the Trust Agreement and the financing of the Project; and
- (g) the interest components of the Lease Payments prior to the Completion Date, to the extent not payable from the proceeds of the Certificates deposited in the Lease Payment Fund on the Closing Date.

“Registration Books” means the records maintained by the Trustee pursuant to the Trust Agreement for registration of the ownership and transfer of ownership of the Certificates.

“Rental Period” means each period during the Term of the Lease Agreement commencing on and including November 2 in each year and extending to and including the next succeeding November 1, except that the first Rental Period begins on the Closing Date and ends on November 1, 2020.

“Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Certificate Insurer.

“Reserve Requirement” means, as of the date of calculation thereof, an amount equal to the lesser of (a) 10% of the original principal amount of the Certificates, or (b) the maximum amount of Lease Payments (excluding Lease Payments with respect to which the District shall have posted a security deposit pursuant to the Lease Agreement) coming due in the current or any future Fiscal Year, or (c) 125% of average annual Lease Payments. The initial amount of the Reserve Requirement as of the Closing Date is equal to \$_____.

“Securities Depositories” means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District designates in written notice filed with the Trustee.

“Site Lease” means the Site Lease dated as of May 1, 2015, between the District as lessor and the Corporation as lessee of the Leased Property, as amended pursuant to the First Amendment to Site Lease dated as of January 1, 2020, and together with any other duly authorized and executed amendments and supplements thereto.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“Term of the Lease Agreement” means the time during which the Lease Agreement is in effect, as provided therein.

“2015 Certificates” means the \$26,625,000 aggregate principal amount of 2015 Certificates of Participation, which have been executed and delivered under that a Trust Agreement dated as of May 1, 2015, among the District, the Corporation and the Trustee.

“2015 Lease Payments” means the amounts payable by the District as rental for the use and occupancy of the Leased Property pursuant to the Lease Agreement dated as of May 1, 2015, between the Corporation as lessor and the District as lessee, which are evidenced and represented by the 2015 Certificates.

SITE LEASE

Under the Site Lease, the District has previously leased the Leased Property to the Corporation for the purpose of enabling the Corporation to sublease the Leased Property back to the District under the Lease Agreement. The term of the Site Lease is coterminous with the term of the Lease Agreement. The Corporation agrees, upon the termination of the Site Lease, to quit and surrender the Leased Property and agrees that all buildings, improvements and structures then existing upon the Leased Property will remain thereon and title thereto will vest thereupon in the District for no additional consideration. The Corporation and the District may at any time amend or modify any of the provisions of the Site Lease, but only with the prior written consent of the Trustee and the Certificate Insurer, who are third party beneficiaries under the Site Lease.

THE LEASE AGREEMENT

Lease of the Leased Property; Term

The Corporation has previously leased the Leased Property back to the District under the Lease Agreement. The Term of the Lease Agreement commences on the date of execution and delivery of the Lease Agreement and ends on the date on which the Trust Agreement is discharged thereunder, but under any circumstances not later than ten years following the final maturity date of the Certificates.

Substitution of Leased Property

The District has the option at any time and from time to time to substitute other real property (the “Substitute Property”) for the Leased Property or any portion thereof (the “Former Property”), provided that the District satisfies all of the following requirements which are conditions precedent to such substitution:

- (a) No Event of Default has occurred and is continuing.
- (b) The District has filed with the Corporation and the Trustee, and caused to be recorded in the office of the Kern County Recorder sufficient memorialization of, an amendment thereof which adds to Appendix A to the Lease Agreement a description of such Substitute Property and deletes therefrom the description of such Former Property.
- (c) The District has obtained a CLTA policy of title insurance which insures the District’s leasehold estate in such Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof.

- (d) The District has filed with the Corporation and the Trustee a certificate executed by a District Representative stating that such Substitute Property serves the educational purposes of the District and constitutes property which the District is permitted to lease under the laws of the State of California, and has been determined to be essential to the proper, efficient and economic operation of the District and to serve an essential governmental function of the District.
- (e) The Substitute Property does not cause the District to violate any of its covenants, representations and warranties made in the Lease Agreement or in the Trust Agreement.
- (f) The District has filed with the Corporation and the Trustee a certificate executed by a District Representative stating that the estimated value and the fair rental value of the Substitute Property are at least equal to the estimated value and the fair rental value, respectively, of the Former Property, and that the useful life of the Substitute Property at least equals the lesser of (i) the useful life of the Former Property, or (ii) the final Lease Payment Date of the 2015 Lease Payments and the Lease Payments.
- (g) The District has mailed written notice of such substitution to each rating agency which then maintains a rating on the Certificates.
- (h) The District has obtained the prior written consent of the Certificate Insurer to such substitution.

Upon the satisfaction of all such conditions precedent, the Term of the Lease Agreement will thereupon end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property in the Site Lease and the Lease Agreement will apply with full force and effect to the Substitute Property. The District is not entitled to any reduction, diminution, extension or other modification of the 2015 Lease Payments and the Lease Payments whatsoever as a result of such substitution. The Corporation and the District will execute, deliver and cause to be recorded all documents required to discharge the Lease Agreement against the Former Property.

Release of Property

The District has the option at any time and from time to time to release any portion of the Leased Property from the Lease Agreement and the Site Lease (the "Released Property") provided that the District has satisfied all of the following requirements which are declared to be conditions precedent to such release:

- (a) No Event of Default has occurred and is continuing.
- (b) The District has filed with the Corporation and the Trustee, and caused to be recorded in the office of the Kern County Recorder sufficient memorialization of, an amendment of the Lease Agreement which removes the Released Property from the Lease Agreement and the Site Lease.
- (c) The District has filed with the Corporation and the Trustee a certificate executed by a District Representative stating that the estimated value of the

property which remains subject to the Lease Agreement and the Site Lease following such release is at least equal to the aggregate original principal amount of the 2015 Certificates and the Certificates, and the fair rental value of the property which remains subject to the Lease Agreement and the Site Lease following such release is at least equal to the Lease Payments thereafter coming due and payable.

- (d) The District has mailed written notice of such release to each rating agency which then maintains a rating on the 2015 Certificates and the Certificates.
- (e) The District has obtained the prior written consent of the Certificate Insurer to such release.

Upon the satisfaction of all such conditions precedent, the Term of the Lease Agreement will thereupon end as to the Released Property. The District is not entitled to any reduction, diminution, extension or other modification of the 2015 Lease Payments and the Lease Payments whatsoever as a result of such release. The Corporation and the District shall execute, deliver and cause to be recorded all documents required to discharge the Lease Agreement and the Site Lease of record against the Released Property.

Lease Payments; Budget and Appropriation; Abatement

Lease Payments. Subject to abatement as described below, the District will pay to the Corporation, its successors and assigns, the 2015 Lease Payments and the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in the Lease Agreement, to be due and payable in immediately available funds on the Payment Dates immediately following each of the respective Lease Payment Dates specified in the Lease Agreement, and to be deposited by the District with the Trustee on each of the Lease Payment Dates specified in the Lease Agreement. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole under the Lease Agreement and other than amounts required for payment of past due principal or interest represented by any Certificates not presented for payment) will be credited towards the Lease Payment then required to be paid; and no Lease Payment need be deposited with the Trustee on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be deposited with the Trustee. The 2015 Lease Payments and the Lease Payments payable in any Rental Period are for the use of the Leased Property during such Rental Period.

Budget and Appropriation. The District covenants to take such action as may be necessary to include all estimated 2015 Lease Payments and Lease Payments and all estimated Additional Payments due under the Lease Agreement in each of its final approved budgets. The District further covenants to make all necessary appropriations (including any supplemental appropriations) from any source of legally available funds of the District for all the actual amount of 2015 Lease Payments and Lease Payments and Additional Payments which come due and payable during the period covered by each such budget. The covenants on the part of the District contained in the Lease Agreement are duties imposed by law and it is the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the District.

Additional Payments. In addition to the Lease Payments, the District shall pay when due, as additional rental for the Leased Property under the Lease Agreement, all costs and expenses incurred by the District under the Lease Agreement or under the Trust Agreement, or incurred by the Corporation to comply with the provisions of the Trust Agreement, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), annual compensation due to the Trustee and all of its reasonable costs and expenses (including amounts payable to the Trustee by virtue of indemnification) payable as a result of the performance of and compliance with its duties under the Trust Agreement, all amounts due to the Certificate Insurer that do not constitute payment of Lease Payments, all amounts required to repay draws on the Reserve Policy, and all reasonable costs and expenses of attorneys, auditors, engineers and accountants engaged by the Corporation or the Trustee in connection with the Leased Property or the performance of their duties under the Lease Agreement or under the Trust Agreement.

Termination or Abatement Due to Eminent Domain. If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease Agreement will cease with respect thereto as of the day possession is so taken or an order of possession therefor is entered. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, (a) the Lease Agreement will continue in full force and effect with respect thereto and will not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (b) there will be a partial abatement of 2015 Lease Payments and Lease Payments allocated thereto, in an amount to be determined by the District such that the resulting 2015 Lease Payments and Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property. Notwithstanding the foregoing, the Lease Payments will not be abated to the extent that amounts in the Reserve Fund are available to pay Lease Payments which would otherwise be abated under the Lease Agreement, it being declared in the Lease Agreement that such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

Abatement Due to Damage or Destruction. The amount of 2015 Lease Payments and Lease Payments will be abated during any period in which by reason of damage or destruction (other than by eminent domain as described above) there is substantial interference with the use and occupancy by the District of the Leased Property or any portion thereof. The amount of such abatement shall be determined by the District such that the resulting 2015 Lease Payments and Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Property not damaged or destroyed. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the District waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments under the Lease Agreement to the extent that the proceeds of hazard insurance, rental interruption insurance or amounts in the Reserve Fund are available to pay Lease Payments which would otherwise be abated under the Lease Agreement, it being declared in the Lease Agreement that such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

Covenant Against Eminent Domain. During the Term of the Lease Agreement, the District shall not exercise the power of condemnation with respect to the Leased Property.

Title

At all times during the term of the Lease Agreement, the District will hold title to the Leased Property, subject to the Site Lease and other Permitted Encumbrances, and any and all additions which comprise fixtures, repairs, replacements or modifications thereto. Upon the termination of the Lease Agreement (other than termination resulting from the exercise of remedies upon the occurrence of an event of default under the Lease Agreement), all right, title and interest of the Corporation in and to the Leased Property will be transferred to and vested in the District. Upon the payment in full of all Lease Payments allocable to the Leased Property, or upon the deposit by the District of security for such Lease Payments as provided in the Lease Agreement, all right, title and interest of the Corporation in and to the Leased Property will be transferred to and vested in the District. The Corporation agrees to take any and all steps and execute and record any and all documents reasonably required by the District to consummate any such transfer of title.

Maintenance, Utilities, Taxes and Modifications

Throughout the Term of the Lease Agreement, as part of the consideration for the rental of the Leased Property, all improvement, repair and maintenance of the Leased Property will be the responsibility of the District, and the District will pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the District or any assignee or sublessee thereof. In exchange for the Lease Payments, the Corporation agrees to provide only the Leased Property.

The District also agrees pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Corporation or the District affecting the Leased Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District will be obligated to pay only such installments as are required to be paid during the Term of the Lease Agreement as and when the same become due.

The District may, upon notice to the Certificate Insurer, at the District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation notifies the District that, in its reasonable opinion, by nonpayment of any such items the interest of the Corporation in the Leased Property will be materially endangered or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the District shall promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation and the Trustee; provided, however, that the District shall pay such taxes, assessments or other charges so contested if requested to do so by the Certificate Insurer.

The District has the right, at its own expense, to make additions, modifications and improvements to the Leased Property or any portion thereof. All additions, modifications and improvements to the Leased Property will thereafter comprise part of the Leased Property and become subject to the provisions of the Lease Agreement. Such additions, modifications and

improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto, shall be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements. The District will not permit any mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the District; provided that if any such lien is established and the District first notifies the Corporation of the District's intention to do so, the District may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Corporation with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Corporation. The Corporation will cooperate fully in any such contest, upon the request and at the expense of the District.

Insurance

The Lease Agreement requires the District to maintain or cause to be maintained the following insurance against risk of physical damage to the Leased Property and other risks for the protection of the Certificate Owners, the Certificate Insurer, the Corporation and the Trustee:

Public Liability and Property Damage Insurance. The District will maintain or cause to be maintained, throughout the Term of the Lease Agreement, comprehensive general insurance in protection of the Corporation, the District and their respective members, officers, agents, employees and assigns. Such insurance shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such insurance shall provide coverage in such liability limits and be subject to such deductibles as the District deems adequate and prudent. Such insurance must be provided by an insurer rated "A" or better by S&P unless waived by the Certificate Insurer. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of a program of self-insurance by the District, or in the form of the participation by the District in a joint powers authority or other program providing pooled insurance. The District shall apply the proceeds of such insurance toward extinguishment or satisfaction of the liability with respect to which the net proceeds are paid.

Casualty Insurance. The District will procure and maintain, or cause to be procured and maintained, at all times throughout the Term of the Lease Agreement, casualty insurance against loss or damage to the insured buildings, facilities and other improvements constituting any part of the Leased Property, in an amount at least equal to the lesser of (a) the replacement value of such buildings, facilities and improvements, or (b) the aggregate principal amount of the Outstanding Certificates. Such insurance shall, as nearly as practicable, cover loss or damage by fire, explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and shall include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the reasonable determination of the District, whose determination is final and conclusive. Such insurance may be subject to such deductibles as the District deems prudent. Such insurance must be provided by an insurer rated "A" or better by S&P unless waived by the Certificate Insurer. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and with the consent of the Certificate Insurer may be maintained in whole or in part in the form of the

participation by the District in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the District in the form of self-insurance. The Net Proceeds of any such insurance will be deposited by the Trustee in the Insurance and Condemnation Fund and applied at the election and direction of the District either to the replacement, repair, restoration, modification or improvement of the damaged Leased Property or to the prepayment of the 2015 Lease Payments and the Lease Payments and the corresponding prepayment of outstanding 2015 Certificates and the outstanding Certificates.

Rental Interruption Insurance. The District will procure and maintain, or cause to be procured and maintained, at all times throughout the Term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the buildings, facilities and other improvements constituting any part of the Leased Property, as a result of any of the hazards covered in the casualty insurance required under the Lease Agreement as described in the immediately preceding paragraph, in an amount at least equal to the maximum 2015 Lease Payments and Lease Payments coming due and payable during the two consecutive Fiscal Years occurring at the time such insurance is being purchased. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the District in the form of self-insurance. The Net Proceeds of such insurance, if any, shall be paid to the Trustee and deposited in the Lease Payment Fund, and shall be applied to the payment of the 2015 Lease Payments and Lease Payments allocable to the insured improvements as the same become due and payable.

Title Insurance. The District will, at its expense, cause the Site Lease, the Assignment Agreement and the Lease Agreement to be recorded in the office of the Kern County Recorder on or before the Closing Date. Concurrent with such recordation, the District shall obtain a CLTA title insurance policy insuring the District's leasehold estate in the Leased Property under the Lease Agreement, in an amount at least equal to the aggregate principal amount of the Certificates. All Net Proceeds received under such title insurance policy will be deposited with the Trustee in the Lease Payment Fund and credited towards the prepayment of the Lease Payments.

Assignment; Subleases

The Corporation has assigned certain of its rights under the Lease Agreement to the Trustee pursuant to the Assignment Agreement. The District may not assign any of its rights in the Lease Agreement, but may sublease all or a portion of the Leased Property only under the conditions contained in the Lease Agreement, including the condition that such sublease not cause the interest component of the Lease Payments to become subject to federal or State of California personal income taxes.

Installation of District's Personal Property.

The District may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Leased Property. All such items will remain the sole property of the District, in which neither the Corporation nor the Trustee has any interest, and may be modified or removed by the District at any time, provided that the District shall repair and restore any and all damage to the Leased Property resulting from the installation, modification or removal of any such items. Nothing in the Lease Agreement prevents the District from purchasing or leasing items under a

lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest attaches to any part of the Leased Property.

Amendment of Lease

The Corporation and the District may at any time amend or modify any of the provisions of the Lease Agreement with the consent of the Certificate Insurer, but only (a) with the prior written consent of the Owners of a majority in aggregate principal amount of the Outstanding Certificates; or (b) without the consent of the Trustee or any of the Certificate Owners, but only if such amendment or modification is for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the District contained in the Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the District;
- (ii) to cure any ambiguity, or to cure, correct or supplement any defective provision contained therein, for the purpose of conforming to the original intention of the District and the Corporation;
- (iii) to amend any provision thereof relating to the Tax Code, but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest represented by any of the Certificates under the Tax Code, in the opinion of Bond Counsel;
- (iv) to amend the description of any component of the Leased Property to reflect accurately the property originally intended to be included therein, or to effectuate any substitution of property as permitted or any release of property as permitted under the Lease Agreement;
- (v) to obligate the District to pay additional amounts of rental thereunder for the use and occupancy of the Leased Property or any portion thereof, but only if (A) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which are applied to finance the completion of the Project or other improvements to the Leased Property, and (B) the District has filed with the Trustee written evidence that the amendments made under this subsection (v) will not of themselves cause a reduction or withdrawal of any rating then assigned to the Certificates; or
- (vi) in any other respect whatsoever as the Corporation and the District deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments do not materially adversely affect the interests of the Owners of the Certificates.

The District shall obtain and cause to be filed with the Trustee an opinion of Bond Counsel with respect to any amendment or modification of the Lease Agreement, stating that all conditions precedent to such amendment as set forth in the Lease Agreement have been satisfied. Promptly following the effective date of any amendment or modification of the Lease Agreement, the District

shall mail written notice thereof to each rating agency which then maintains a rating on the Certificates.

Events of Default

Each of the following constitutes an event of default under the Lease Agreement:

- (a) Failure by the District to pay any 2015 Lease Payment or Lease Payment or other payment required to be paid under the Lease Agreement at the time specified therein.
- (b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Lease Agreement or the Trust Agreement, other than as referred to in the preceding subsection (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation or the Trustee; *provided, however*, that if the District notifies the Corporation and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 30-day period, the failure will not constitute an Event of Default if the District commences to cure the failure within such 30-day period and thereafter diligently and in good faith cures such failure in a reasonable period of time.
- (c) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may be enacted.

Remedies on Default

Whenever any Event of Default has happened and is continuing, the Corporation may exercise any and all remedies available under law or granted under the Lease Agreement. Notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there is no right under any circumstances to accelerate the Lease Payments or otherwise declare any 2015 Lease Payments or Lease Payments not then in default to be immediately due and payable. Each and every covenant of the Lease Agreement to be kept and performed by the District is expressly made a condition and upon the breach thereof the Corporation may exercise any and all rights granted under the Lease Agreement; provided, that no termination of the Lease Agreement shall be effected either by operation of law or acts of the parties to the Lease Agreement, except only in the manner in the Lease Agreement expressly provided. Upon the occurrence and during the continuance of any Event of Default, the Corporation may exercise each and every one of the following remedies, subject in all respects to the limitations described in the Lease Agreement.

- (a) Enforcement of Payments Without Termination. If the Corporation does not elect to terminate the Lease Agreement in the manner described below, the District agrees to remain liable for the payment of all Lease Payments and

the performance of all conditions contained in the Lease Agreement and shall reimburse the Corporation for any deficiency arising out of the re-leasing of the Leased Property, or, if the Corporation is unable to re-lease the Leased Property, then for the full amount of all 2015 Lease Payments and Lease Payments to the end of the Term of the Lease Agreement.

The District irrevocably appoints the Corporation as the agent and attorney-in-fact of the District to enter upon and re-lease the Leased Property upon the occurrence and continuation of an Event of Default and to remove all personal property whatsoever situated upon the Leased Property, to place such property in storage or other suitable place in the County of Kern for the account of and at the expense of the District. The District agrees to surrender and quit possession of the Leased Property upon demand of the Corporation for the purpose of enabling the Leased Property to be re-let. Any rental obtained by the Corporation in excess of the unpaid Lease Payments shall be applied as a credit against future 2015 Lease Payments and Lease Payments.

- (b) Termination of Lease. If an Event of Default occurs and is continuing, the Corporation at its option may terminate the Lease Agreement and re-lease all or any portion of the Leased Property. Any surplus received by the Corporation from such re-leasing shall be deposited in the Lease Payment Fund. Neither notice to pay rent or to deliver up possession of the premises given under law nor any proceeding in unlawful detainer taken by the Corporation shall of itself operate to terminate the Lease Agreement, unless and until the Corporation has given written notice to the District of the election on the part of the Corporation to terminate the Lease Agreement. The District agrees that no surrender of the Leased Property, or of the remainder of the Term of the Lease Agreement or any termination of the Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.
- (c) Proceedings at Law or In Equity. If an Event of Default occurs and continues, the Corporation may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Lease Agreement or to enforce any other of its rights under the Lease Agreement.

TRUST AGREEMENT

Trustee

The Trustee is appointed pursuant to the Trust Agreement and is authorized to prepare, execute and deliver the Certificates thereunder, and to act as a depository of amounts held thereunder. The Trustee is required to make deposits into and withdrawals from funds, and invest amounts held under the Trust Agreement in accordance with the District's instructions.

Funds

The Trust Agreement creates the Lease Payment Fund, the Project Fund, the Reserve Fund and the Insurance and Condemnation Fund to be held in trust by the Trustee. The Trust Agreement permits the Project Fund to be transferred by the Trustee to the Kern County Treasurer as described below.

Lease Payment Fund. There shall be deposited in the Lease Payment Fund all Lease Payments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to the Trust Agreement or the Lease Agreement. Moneys on deposit in the Lease Payment Fund will be used to pay principal and interest represented by the Certificates. Any earnings on investment of moneys in the Lease Payment Fund will remain therein and will be credited towards payment of the next Lease Payments. Any surplus remaining in the Lease Payment Fund after the payment of all Certificates, or provision for their payment has been made, will be paid to the District.

Project Fund. The Trustee will establish, maintain and hold in trust a separate fund to be known as the "Project Fund." The Trustee will disburse moneys in the Project Fund from time to time to pay or reimburse the payment of Project Costs in accordance with written requisitions filed by the District with the Trustee. Each such requisition is sufficient evidence to the Trustee of the facts stated therein and the Trustee has no duty to confirm the accuracy of such facts. The Trustee is not responsible for payments made in accordance with the Trust Agreement. The District shall maintain accurate records showing all disbursements from the Project Fund, including records which show the name and address of each entity to whom payment is made and the amount and purpose of each payment.

The Trust Agreement permits the Project Fund to be transferred by the Trustee to the Kern County Treasurer, if requested in writing by the District. In such event, all of the foregoing provisions relating to the administration of the Project Fund will apply to the Kern County Treasurer to the same extent as such provisions otherwise apply to the Trustee.

Upon the determination by the District that the Project has been substantially completed, the Trustee will withdraw from the Project Fund and deposit in the Lease Payment Fund (or, if applicable, the Kern County Treasurer will withdraw from the Project Fund and transfer to the Trustee for deposit in the Lease Payment Fund) all amounts remaining on deposit in the Project Fund, other than amounts estimated by the District to be required to pay future Project Costs. Whether or not the Project has been substantially completed, upon the filing with the Trustee or the Kern County Treasurer of a written certificate of the District stating that no further amounts are intended to be requisitioned from the Project Fund, the Trustee or the Kern County Treasurer will close the Project Fund and all remaining amounts therein will be transferred to the Lease Payment Fund.

Reserve Fund. The Trustee shall establish a special fund designated as the "Reserve Fund" to be held by the Trustee in trust for the benefit of the Owners of the Certificates, and applied solely as provided in the Trust Agreement. Moneys in the Reserve Fund shall be held in trust as a reserve for the payment when due of the Lease Payments on behalf of the District.

The Trustee shall retain in the Reserve Fund all earnings on the investment of amounts therein to the extent required to maintain the full amount of the Reserve Requirement on deposit therein. All amounts on deposit in the Reserve Fund at any time in excess of the Reserve Requirement, and all amounts derived from the investment of amounts in the Reserve Fund which

are not required to be retained therein to maintain the Reserve Requirement, shall be transferred by the Trustee to the Project Fund prior to the Completion Date, and thereafter to the Lease Payment Fund semiannually on or before each Lease Payment Date. Any recomputation of the Reserve Requirement shall be made by or on behalf of the District, and shall become effective upon the filing by the District with the Trustee of written notice thereof.

If on any Payment Date the moneys available in the Lease Payment Fund do not equal the amount of the Lease Payment then coming due and payable, the Trustee shall apply the moneys available in the Reserve Fund to make such payments on behalf of the District by transferring the amount necessary for this purpose to the Lease Payment Fund. Upon receipt of any delinquent Lease Payment with respect to which moneys have been advanced from the Reserve Fund, such Lease Payment shall be deposited in the Reserve Fund to the extent of such advance.

If on any Payment Date the moneys on deposit in the Reserve Fund and the Lease Payment Fund (excluding amounts required for payment of principal, interest and prepayment premium, if any, represented by any Certificates theretofore having come due but not presented for payment) are sufficient to pay or prepay all Outstanding Certificates, including all principal, interest and prepayment premiums (if any) represented thereby, the Trustee shall, upon the written request of the District, either (i) transfer all amounts then on deposit in the Reserve Fund to the Lease Payment Fund to be applied for such purpose to the payment of the Lease Payments on behalf of the District, or (ii) transfer such amounts to the District for deposit into the Project Fund prior to the completion of the Project. Any amounts remaining in the Reserve Fund on the date of payment in full, or provision for such payment as provided in the Trust Agreement, of all obligations represented by the Outstanding Certificates and upon all fees and expenses then due and owing to the Trustee, shall be withdrawn by the Trustee and at the written request of the District applied towards such payment or paid to the District.

The Reserve Requirement will initially be satisfied by deposit in the Reserve Fund of the Reserve Policy delivered by the Certificate Insurer.

Deposit and Application of Net Proceeds of Eminent Domain Award. If all or any part of the Leased Property is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund, under the Lease Agreement, and shall be applied and disbursed by the Trustee as follows:

- (a) If the District gives written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the interest of the District in the Leased Property or the ability of the District to meet any of its financial obligations under the Lease Agreement, and (ii) that such proceeds are not needed for repair, replacement or rehabilitation of the Leased Property, and the District has given written notice to the Trustee of such determination, such funds will be applied to pay the 2015 Lease Payments and the Lease Payments as they become due and payable, on a pro rata basis.
- (b) If the District gives written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the interest of the District in the Leased Property or the ability of the District to meet any of its financial obligations under the Lease Agreement, and (ii) such

proceeds are needed for repair, replacement or rehabilitation of the Leased Property, the Trustee shall pay to the District, or to its order, from said proceeds such amounts as the District may expend for the repair or rehabilitation of the Leased Property, upon the filing of requisitions of the District Representative meeting the requirements of the Trust Agreement.

- (c) If (i) less than all of the Leased Property is taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the District gives written notice to the Trustee of its determination that such eminent domain proceedings have materially affected the interest of the District in the Leased Property or the ability of the District to meet any of its financial obligations under the Lease Agreement, or (ii) all of the Leased Property is taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited toward the prepayment of the Lease Payments under the Lease Agreement and applied to the corresponding prepayment of the 2015 Certificates and the Certificates on a pro rata basis, which prepayment shall be made on the first prepayment date for which notice of prepayment can be timely given.

In making any such determination whether to repair, replace or rehabilitate the Leased Property under the Trust Agreement, the District may obtain, but is not required to obtain, at its expense, the report of an independent engineer or other independent professional consultant, a copy of which must be filed with the Trustee. Any such determination by the District is final.

Investment of Funds; Valuation of Investments

Upon the written request of a District Representative filed with the Trustee from time to time, moneys held by the Trustee in any fund or account under the Trust Agreement shall be invested and reinvested by the Trustee in Permitted Investments which mature not later than the date such moneys are required or estimated by the District to be required to be expended under the Trust Agreement. In the absence of any written request of the District directing the investment of uninvested moneys held by the Trustee thereunder, the Trustee shall invest such moneys in Permitted Investments consisting of money market funds. Such investments, if registrable, shall be registered in the name of the Trustee, as trustee or in the name of its nominee, and shall be held by the Trustee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment. Whenever in the Trust Agreement any moneys are required to be transferred by the District to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. For purposes of acquiring any investments thereunder, the Trustee may commingle funds held by it thereunder.

Events of Default and Remedies of Certificate Owners

Notice of Default; Remedies. If an Event of Default occurs of which the Trustee has been given or is deemed to have notice, then the Trustee shall promptly give written notice thereof to the Owner of each Outstanding Certificate by first class mail, postage prepaid, unless such Event of Default shall have been cured before the giving of such notice; provided, however that unless such Event of Default consists of the failure by the District to make any Lease Payment when

due, the Trustee may elect not to give such notice to the Certificate Owners if and so long as the Trustee in good faith determines that it is otherwise not in the best interests of the Certificate Owners to give such notice.

If an Event of Default happens, then and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding the Trustee shall, exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however*, that notwithstanding anything in the Trust Agreement or in the Lease Agreement to the contrary, there shall be no right under any circumstances to accelerate the maturities of the 2015 Certificates or the Certificates, or otherwise to declare any 2015 Lease Payment or Lease Payment not then in default to be immediately due and payable.

Application of Funds. All moneys received by the Trustee under any right given or action taken under the provisions of the Trust Agreement or the Lease Agreement shall be applied by the Trustee in the order following upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in taking any remedial action with respect thereto, including reasonable compensation to its agents, attorneys and counsel, and including such other necessary costs relating to the administration of the foregoing and to events leading up thereto;

Second, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and installments of interest at the highest rate of interest represented by any Outstanding Certificate (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest; and

Third, to the payment of amounts due and owing to the Certificate Insurer in respect of the Certificate Insurance Policy or the Reserve Policy.

Institution of Legal Proceedings. If one or more Events of Default occur and are continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement, or in aid of the execution of any power granted in the Trust Agreement, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties under the Trust Agreement.

Non-waiver. Nothing in the Trust Agreement or in the Certificates, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay or prepay the Lease Payments as provided in the Lease Agreement. No delay or omission of the Trustee or of any

Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by the Trust Agreement Trustee or to the Owners of Certificates may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Certificate Owners.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee or to the Certificate Owners in the Trust Agreement is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or thereafter existing, at law or in equity or by statute or otherwise.

Rights of 2015 Certificate Owners. The rights and remedies which are granted to the Certificate Owners and the Trustee under the Lease Agreement and the Trust Agreement are subject in all respects to the rights and remedies which are granted to the owners of the 2015 Certificates. Such rights and remedies are required to be exercised on a parity basis.

Amendment of Trust Agreement

The Trust Agreement may be amended by agreement among the parties thereto with the prior written consent of the Certificate Insurer but without the consent of the Owners of the Certificates, but only (a) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power reserved to the Corporation or the District, (b) to cure, correct or supplement any ambiguous or defective provision contained in the Trust Agreement, (c) in regard to questions arising thereunder, as the parties to the Trust Agreement may deem necessary or desirable and which shall not, in the opinion of Bond Counsel, materially adversely affect the interests of the Owners of the Certificates, (d) if and to the extent permitted in the opinion of Bond Counsel filed with the Trustee, the District and the Corporation, to delete or modify any of the provisions thereof relating to the exclusion from gross income of interest represented by the Certificates for federal income tax purposes, and (e) to conform to any amendments of the Lease Agreement which are permitted to be made under the Lease Agreement.

Any other amendments require the approval of the Certificate Insurer and the Owners of a majority in aggregate principal amount of the Certificates then outstanding, provided that no such amendment shall (a) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate represented thereby or extending the time of payment of interest, or reducing the amount of principal represented thereby or reducing any premium payable upon the prepayment thereof, without the express consent of the Owner of such Certificate, or (b) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Trust Agreement, or (c) modify any of the rights or obligations of the Trustee without its written assent thereto.

Defeasance

If and when the obligations represented by any Outstanding Certificates shall be paid and discharged in any one or more of the following ways:

- (a) by well and truly paying or causing to be paid the principal and interest represented by such Certificates, as and when the same become due and payable; or

- (b) by depositing with the Trustee or any other fiduciary, under an escrow deposit and trust agreement, security for the payment of Lease Payments relating to such Certificates as more particularly described in the Lease Agreement, said security to be held by the Trustee on behalf of the District to be applied by the Trustee or by such other fiduciary to pay or prepay such Lease Payments as the same become due, pursuant to the Lease Agreement.

then notwithstanding that such Certificates have not been surrendered for payment, all rights under the Trust Agreement of the Owners of such Certificates and all obligations of the Corporation, the Trustee and the District with respect to such Certificates shall cease and terminate, except only the obligations of the Corporation and the District under the Trust Agreement regarding indemnification of the Trustee and the obligations of the Trustee under the Trust Agreement, and the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the District from funds deposited under paragraph (b) above, to the Owners of such Certificates not so surrendered and paid all sums represented thereby when due and in the event of deposits under paragraph (b), such Certificates shall continue to represent direct, undivided fractional interests of the Owners thereof in the Lease Payments.

Any funds held by the Trustee, at the time of discharge of the obligations represented by all Outstanding Certificates as a result of one of the events described in paragraphs (a) or (b) of above, which are not required for the payment to be made to Owners, shall, upon payment in full of all fees and expenses of the Trustee (including attorneys' fees) then due, be paid over to the District.

If the principal and interest represented by the Certificates are paid by the Certificate Insurer under the Certificate Insurance Policy or the Reserve Policy, all covenants, agreements and other obligations of the District under the Lease Agreement and the Trust Agreement will continue to exist and the Certificate Insurer will be subrogated to the rights of the Certificate Owners.

Provisions Relating to Certificate Insurance Policy

The Trust Agreement contains terms governing the Certificate Insurance Policy, including but not limited to provisions relating to notice required to be provided to the Certificate Insurer, requirements of the Certificate Insurer with respect to defeasance, and consent required in connection with proposed amendment and supplements. The Certificate Insurer is deemed to be the sole owner of the Certificates for all purposes under the Trust Agreement, including, without limitations, for purposes of exercising remedies and approving amendments, and the Certificate Insurer is recognized as and is deemed to be a third party beneficiary of the Trust Agreement and may enforce the provisions of the Trust Agreement as if it were a party thereto. Any exercise by the Certificate Insurer of its rights is merely an exercise of the Certificate Insurer's contractual rights and will not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Certificates and such action does not evidence any position of the Certificate Insurer, affirmative or negative, as to whether the consent of the holders of the Certificates or any other person is required in addition to the consent of the Certificate Insurer.

Provisions Relating to Reserve Policy

The Trust Agreement contains terms governing the Reserve Policy, including but not limited to the District's obligation to repay any draws under the Reserve Policy,

ASSIGNMENT AGREEMENT

The Corporation and the Trustee will enter into the Assignment Agreement under which the Corporation assigns and sets over to the Trustee, for the benefit of the Owners of the Certificates, certain rights of the Corporation under the Lease Agreement (subject to certain exceptions), including the right of the Corporation to receive and collect Lease Payments, its right to receive and collect proceeds of condemnation and insurance awards and the right to exercise rights and remedies of the Corporation in the Lease Agreement to enforce payments of amounts thereunder. The Trustee accepts such assignment for the purpose of securing such payments due to and rights of the Owners of the Certificates, subject to the provisions of the Trust Agreement. The Certificate Insurer is a third party beneficiary under the Assignment Agreement with all rights of a third party beneficiary.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2019**

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**WEST KERN
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2019



COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

WEST KERN COMMUNITY COLLEGE DISTRICT
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JUNE 30, 2019

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FINANCIAL SECTION



INDEPENDENT AUDITORS' 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2018-2019 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 26, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

CWDL, Certified Public Accountants

San Diego, California
November 26, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Taft College/West Kern Community College District's (the District) Annual Financial Report presents a narrative overview and analysis of the District's financial activities during the fiscal year just ended as well as the overall financial condition of the District at June 30, 2019. This analysis is presented with comparative information from the year ended June 30, 2018 to highlight changes between the fiscal years. This section is designed to focus on currently known facts, current activities, and the resulting changes, and is intended to be read in conjunction with the District's basic financial statements and the accompanying footnotes. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District's management.

USING THIS ANNUAL REPORT

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

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The California Community College Chancellors Office (CCCCO) calculates total apportionment to be received by the District each year. Within FY 2018-19 the Taft College and California Community Colleges across the State began to phase in the State mandated Student-Centered Funding Formula that calculates the District's general apportionment. Total apportionment payment consists of tuition fees, property taxes and state apportionment revenues. The District experienced an increase in total apportionment based on implementation of the new statewide funding formula and a statewide inflation adjustment. With the funding, the District was able to maintain a stronger focus on curriculum offerings based on basic skills, transfer and workforce training in order to maintain its growing population and ensure success within the guidance of the Educational Master Plan.

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

Analysis of Net Assets

The System calculated the District with FTES growth for 2018/2019. Regular non-operating factors such as deferred pension contribution adjustments for compliance with the Governmental Accounting Standards Board (GASB) led to a decrease in the District's assets. GASB Statement No. 68 addresses accounting and financial reporting for pensions, specifically, those provided to the employees of state and local governmental employers through pension plans that are administered through irrevocable trusts. Restricted Net Position increasing due to grant project related deferred revenue being utilized along with the ongoing adjustment of the District's financials to reflect the pension liability defined by GASB 68. The ongoing long-term campus improvements funded by the 2004 Measure A funding is evident in the increase in Invested in Capital Assets, net of debt. The District did not incur any additional debt related to the long-term campus improvement construction occurring across campus in 2018/2019.

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

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

Analysis of Current Assets

The District's current assets increased by \$101 thousand due to the reclassification of funds designated to meet long-term obligations of the District along with scheduled payments being made on the District's long-term construction project financing and the sun-setting of large federal grants.

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

Analysis of Capital Assets

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

Analysis of Liabilities

Current liabilities increased by \$583 thousand for the year just ended. In comparison of prior years, the change is due to a combination of unearned deferred revenues, current accounts payable liabilities and compensated absences. No new debt was issued for the year just ended.

FINANCIAL ACTIVITIES OF THE DISTRICT

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

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

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

Operating Results

Operating revenues reflect an increase in enrollment fees due to the timing of payments recognized by the District, as well as maintained levels of financial aid awards to eligible students for the year. Both in-state and non-resident students attending the College grew slightly in 2018/2019 over 2017/2018 levels. Another contributing factor was the fact that residents of California are eligible for a wider variety of educational aid options than non-resident students. Overall, FTE attendance increased to 2,909 in 2018/2019, as compared to 2,830 in 2017/2018.

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

FUNCTIONAL EXPENDITURE CALCULATIONS

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

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

SIGNIFICANT ACCOMPLISHMENTS

Capital Improvement Project

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

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

ECONOMIC FACTORS AFFECTING THE FUTURE

Economic Condition

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

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

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

Prospects for the Future

In general, full-time equivalent (FTE) student counts in California community college systems are typically influenced by employment cycles and tuition rates, the latter of which are set by the state. West Kern CCD, however, is somewhat insulated from employment cycles affecting its FTEs because, when the economy is doing well and the district's large petrochemical companies are hiring, the employers usually seek education and training opportunities provided by the college for its employees. And, similar to other community colleges and institutes of higher learning, there is also a demand for enrollment when the economy is in a downturn and unemployment rates are high. As a result, the District's enrollment increases year-over-year for the past five years, with fiscal 2019 FTEs held relatively flat. Total FTEs budgeted for 2020 is 2,925, up from 2,532 in fiscal 2015. Management reports that it is currently meeting its state FTEs funding level and has been successful in past years of increasing its enrollment through state FTE allotment. Continuing to improve budgetary modeling and forecasting methods along with a positive economic climate, the College remains committed to responding to increasing course demands by offering additional classes and educational options.

The District's fiscal outlook currently reflects stability within the educational industry. As of fiscal 2019, the state's new funding formula has decreased the importance of FTEs in the funding calculation and increased the importance of student demographics and performance (although FTEs will still be the greatest factor of importance). Given the District's demographics, the district is expected to benefit from the change in the funding formula. While FTE levels are less meaningful to the funding formula, it still constitutes an important part of the equation and the District expects to continue to monitor these trends for potential impacts. Furthermore, the near-term funding outlook for CCDs remains positive with recent increases to fund higher education within the state. In addition, FTEs could benefit from the California College Promise fee waiver with the state's budget including an additional \$40 million ongoing to cover a second year of enrollment fees for second-year students. As a result of the positive state funding and continued support to provide free education, we believe enrollment and state funding in future years should demonstrate stable growth.

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

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

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

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

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

ADDITIONAL FINANCIAL INFORMATION

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

WEST KERN COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION – PRIMARY GOVERNMENT
JUNE 30, 2019

ASSETS

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

DEFERRED OUTFLOWS OF RESOURCES

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

LIABILITIES

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

DEFERRED INFLOWS OF RESOURCES

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

NET POSITION

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

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

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

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

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

CASH FLOWS FROM OPERATING ACTIVITIES

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

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

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

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

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

CASH FLOWS FROM INVESTING ACTIVITIES

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

NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS

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

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

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

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

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING :

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 1 – ORGANIZATION

West Kern Community College District (the District) was established in 1922 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees (the Board) form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college with one campus located within Kern County in the City of Taft. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

- Taft College Foundation

The Taft College Foundation (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The board of the Foundation consists of community members, alumni, and other supporters of the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District with the inclusion of the statements as a discretely presented component unit. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The Foundation is a not-for-profit organization under Internal Revenue Code (IRC) Section 501(c)(3) that reports its financial results in accordance with Financial Accounting Standards Codifications. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the District's notes to the financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, investments held at June 30, 2019, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accounts Receivable

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

Prepaid Expenses

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

Inventories

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

Capital Assets and Depreciation

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accounts Payable and Long-Term Obligations

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

Debt Issuance Costs and Premiums

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Compensated Absences

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

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Unearned Revenue

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

Noncurrent Liabilities

Noncurrent liabilities include bonds, certificates of participation, pensions, and OPEB obligations with maturities greater than one year.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$9,897,162 of total net position.

Operating Revenues and Expenses

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

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

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

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

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

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

State Apportionments

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Kern bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed General Obligation Bonds for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

Scholarships, Discounts, and Allowances

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

Federal Financial Assistance Programs

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

Estimates

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

Interfund Activity

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Foundation Financial Statement Presentation

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

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

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

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

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements

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

GASB Statement No. 84 – Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement is effective for periods beginning after December 15, 2018.

GASB Statement No. 87 – Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement is effective for periods beginning after December 15, 2019.

NOTE 3 – DEPOSITS AND INVESTMENTS

Policies and Practices

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

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

NOTE 3 – DEPOSITS AND INVESTMENTS, continued

Investment in County Treasury

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

General Authorizations

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

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

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

NOTE 3 – DEPOSITS AND INVESTMENTS, continued

Summary of Deposits and Investments

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

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

Interest Rate Risk

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

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

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are as follows:

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

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

NOTE 3 – DEPOSITS AND INVESTMENTS, continued

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's bank balance of \$95,578 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The investments in bonds and common stock of \$15,814,134, have a custodial credit risk exposure because the related securities are uninsured, unregistered, and held by the brokerage firm which is also the counterparty for these securities.

NOTE 4 – FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

NOTE 5 – ACCOUNTS RECEIVABLE

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

The accounts receivable are as follows:

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

NOTE 6 – CAPITAL ASSETS

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

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

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

NOTE 7 – ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

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

NOTE 8 – UNEARNED REVENUE

Unearned revenue consisted of the following:

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

NOTE 9 – INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

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

Interfund Operating Transfers

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

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

NOTE 10 – LONG-TERM OBLIGATIONS

Summary

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

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

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

Debt Maturity

General Obligation Bonds

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

2006 B - Capital Appreciation

The bonds mature through fiscal year 2020 as follows:

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

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

NOTE 10 – LONG-TERM OBLIGATIONS , continued

2007 C – Current Interest

The bonds mature through fiscal year 2033 as follows:

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

2015 A - Refunding

The bonds mature through fiscal year 2032 as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ -	\$ 696,150	\$ 696,150
2021	-	696,150	696,150
2022	790,000	696,150	1,486,150
2023	1,455,000	664,550	2,119,550
2024	1,565,000	591,800	2,156,800
2025 - 2029	7,375,000	1,925,500	9,300,500
2030 - 2032	5,810,000	445,225	6,255,225
Total	\$ 16,995,000	\$ 5,715,525	\$ 22,710,525

2015 B - Refunding

The bonds mature through fiscal year 2032 as follows:

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

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

NOTE 10 – LONG-TERM OBLIGATIONS , continued

Certificates of Participation

2015 Issuance

The certificates mature through fiscal year 2035 as follows:

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

NOTE 11 – POSTEMPLOYMENT BENEFITS

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

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

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

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

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

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

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

NOTE 11 – POSTEMPLOYMENT BENEFITS, continued

Benefits Provided

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

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the faculty union, the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District and the groups. For fiscal year 2018-2019, the District contributed \$1,747,490 to the Plan, of which \$1,130,262 was used for current premiums and \$617,228 was used to fund the OPEB Trust.

Net OPEB Liability of the District

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

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

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

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

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

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

NOTE 11 – POSTEMPLOYMENT BENEFITS, continued

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

The actual assumptions used in the June 30, 2019, valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

Changes in the Net OPEB Liability

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

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

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

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

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

NOTE 11 – POSTEMPLOYMENT BENEFITS, continued

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

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

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

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

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

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

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

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

NOTE 12 – RISK MANAGEMENT

Joint Powers Authority Risk Pools

During fiscal year ending June 30, 2019, the District contracted with the Self Insured Schools of California II (SISC II) Joint Powers Authority for property and liability insurance coverage, health and welfare benefits as well as workers compensation coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

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

Employee Medical Benefits

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

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 14,075,880	\$ 4,191,389	\$ 1,430,797	\$ 1,593,433
CalPERS	15,156,659	4,029,757	1,153,670	2,573,686
Total	\$ 29,232,539	\$ 8,221,146	\$ 2,584,467	\$ 4,167,119

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

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans. The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Plan	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%*
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.328%	9.328%

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

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

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were \$1,489,358.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of the net pension liability	\$	14,075,880
State's proportionate share of the net pension liability associated with the District		8,059,488
Total	\$	<u>22,135,368</u>

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.0153 percent and 0.0158 percent, resulting in a net decrease in the proportionate share of 0.0004 percent.

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

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

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

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

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

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

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010, through June 30, 2015
Actuarial cost method	Entry Age Normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

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

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

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

*20-year geometric average

Discount Rate

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

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

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

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

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees Retirement System (CalPERS)

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

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

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

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

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were \$1,398,499.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$15,156,659. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.0568 percent and 0.0617 percent, resulting in a net decrease in the proportionate share of 0.0049 percent.

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

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

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

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

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

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

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997, through June 30, 2011
Actuarial cost method	Entry Age Normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

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

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

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

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

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

Discount Rate

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

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

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

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

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS, continued

Deferred Compensation

The District offers its employees a CalPERS administered 457 Deferred Compensation Program (the Program). The Program, available to all permanent employees, permits them to defer a portion of pre-tax salary into investment of an individual's own choosing until future years. The deferred compensation is not available to the employees or their beneficiaries until termination, retirement, death, or an unforeseeable emergency. The CalPERS Board controls the investment and administrative functions of the CalPERS 457 Deferred Compensation Program. The Board for the exclusive benefit of participating employees, which adds security, holds the assets in trust.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2019, which amounted to \$785,014, (8.395 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2019. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of operating revenue and employee benefit expense.

NOTE 14 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Self Insured Schools of California (SISC) Joint Powers Authority JPA. The District pays annual premiums for its workers' compensation, health and welfare, and property/liability coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

The JPA has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2019, the District made payments of \$246,794 and \$3,784,187 to SISC for its workers' compensation and health and welfare coverage, respectively. The District also made payments of \$113,094 to SWACC for its property/liability coverage and \$47,659 to Student Insurance for its student liability insurance coverage.

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

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

Litigation

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

Related Party Transactions

WESTEC

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

Impounded Property Taxes

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

NOTE 16 – PRIOR PERIOD ADJUSTMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

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

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

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

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

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

**WEST KERN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

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

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

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

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

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

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

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

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the Net OPEB Liability and Related Ratios

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

Schedule of Contributions - OPEB

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

Schedule of the Proportionate Share of the Net Pension Liability

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

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

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

Schedule of Contributions - Pensions

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

SUPPLEMENTARY INFORMATION

**WEST KERN COMMUNITY COLLEGE DISTRICT
DISTRICT ORGANIZATION
JUNE 30, 2019**

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

BOARD OF TRUSTEES

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

ADMINISTRATION

Dr. Debra S. Daniels
Superintendent/President

Brock McMurray
Executive Vice-President of Administrative Services

Dr. Leslie Minor
Vice-President of Instruction

Severo Balason, Jr.
Vice-President of Student Services

Amanda Bauer
Director of Fiscal Services

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education:			
Child and Adult Care Food Programs-1819	10.558	13666	\$ 70,729
Child and Adult Care Food Programs-1718	10.558	13666	44,846
Subtotal U.S. Department of Agriculture			<u>115,575</u>
U.S. DEPARTMENT OF EDUCATION			
Direct Programs:			
TRIO Student Support Services Grant	84.042A	*	241,291
Student Financial Assistance Cluster			
Federal Work Study	84.033	*	83,837
Pell Grants	84.063	*	6,121,494
Supplemental Educational Opportunity Grant (SEOG)	84.007	*	76,518
Subtotal Student Financial Assistance Cluster			<u>6,281,849</u>
Passed Through California Community Colleges Chancellor's Office			
Perkins, Title I-C	84.048	*	101,039
Subtotal U.S. Department of Education			<u>6,624,179</u>
Total Expenditures of Federal Awards			<u>\$ 6,739,754</u>

**Pass-through entity identifying number not applicable*

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

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

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

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

See accompanying note to supplementary information.

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

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

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

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 4,206,847	\$ -	\$ 4,206,847	\$ 4,206,847	\$ -	\$ 4,206,847
Other	1300	2,646,279	-	2,646,279	2,646,279	-	2,646,279
Total Instructional Salaries		6,853,126	-	6,853,126	6,853,126	-	6,853,126
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	1,254,794	-	1,254,794
Other	1400	-	-	-	327,494	-	327,494
Total Non-Instructional Salaries		-	-	-	1,582,288	-	1,582,288
Total Academic Salaries		6,853,126	-	6,853,126	8,435,414	-	8,435,414
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	3,382,040	-	3,382,040
Other	2300	-	-	-	346,583	-	346,583
Total Non-Instructional Salaries		-	-	-	3,728,623	-	3,728,623
Instructional Aides							
Regular Status	2200	246,281	-	246,281	254,534	-	254,534
Other	2400	68,907	-	68,907	68,907	-	68,907
Total Instructional Aides		315,188	-	315,188	323,441	-	323,441
Total Classified Salaries		315,188	-	315,188	4,052,064	-	4,052,064
Employee Benefits	3000	3,475,045	-	3,475,045	7,488,157	-	7,488,157
Supplies and Materials	4000	-	-	-	237,340	-	237,340
Other Operating Expenses	5000	1,404,059	-	1,404,059	3,364,116	-	3,364,116
Equipment Replacement	6420	-	-	-	130,049	-	130,049
Total Expenditures Prior to Exclusions		12,047,418	-	12,047,418	23,707,140	-	23,707,140
<u>Exclusions</u>							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	242,150	-	242,150	242,150	-	242,150
Std. Health Svcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	968,789	-	968,789
Object to Exclude							
Rents and Leases	5060	-	-	-	35,064	-	35,064
Lottery Expenditures		-	-	-	-	-	-
Academic Salaries	1000	215,506	-	215,506	215,506	-	215,506
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Non-inst. Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	-	-	-
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ 457,656	\$ -	\$ 457,656	\$ 1,461,509	\$ -	\$ 1,461,509
Total for ECS 84362, 50% Law		\$ 11,589,762	\$ -	\$ 11,589,762	\$ 22,245,631	\$ -	\$ 22,245,631
Percent of CEE (Instructional Salary Cost/Total CEE)		52.10%	0.00%	52.10%	100.00%	0.00%	100.00%
50% of Current Expense of Education		\$ -	\$ -	\$ -	\$ 11,122,816	\$ -	\$ 11,122,816

**WEST KERN COMMUNITY COLLEGE DISTRICT
 PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT
 FOR THE YEAR ENDED JUNE 30, 2019**

EPA Revenue	2,751,455
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	Total
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	
Instructional Activities	0100-5900	2,751,455	-	-	2,751,455
Total		2,751,455	-	-	2,751,455

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

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

**WEST KERN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF FUND EQUITY TO NET POSITION
JUNE 30, 2019**

Total Fund Equity - District Funds Included in the Reporting Entity		\$ 35,181,683
Assets recorded within the statements of net position not included in the fund financial statements:		
Capital assets	\$ 114,848,465	
Accumulated depreciation	<u>(42,380,780)</u>	72,467,685
Unmatured Interest		(464,473)
Deferred outflows recorded within the statement of net position not included in the District fund financial statements:		
Deferred outflows related to OPEB		56,371
Deferred outflows related to pensions		8,221,146
Liabilities recorded within the statements of net position not recorded in the District fund financial statements:		
General obligation bonds	\$ 32,436,146	
Other long-term liabilities	22,780,000	
Premiums, net	1,949,146	
Net OPEB liability	16,582,952	
Net pension liability	<u>29,232,539</u>	(102,980,783)
Deferred inflows recorded within the statement of net position not included in the District fund financial statements:		
Deferred inflows related to pensions		<u>(2,584,467)</u>
Net Position Reported Within the Statement of Net Position		<u>\$ 9,897,162</u>

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

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

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

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

Schedule of Workload Measures for State General Apportionment

FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of Education Code Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

Proposition 30 Education Protection Account (EPA) Expenditure Report

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

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

NOTE 1 - PURPOSE OF SCHEDULES, continued

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

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

Reconciliation of Fund Equity to 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.

OTHER INDEPENDENT AUDITORS' REPORTS



**INDEPENDENT AUDITORS' 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 26, 2019.

Internal Control Over Financial Reporting

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

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

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

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.

CWDL, Certified Public Accountants

San Diego, California
November 26, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL 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, 2019. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

CWDL, Certified Public Accountants

San Diego, California
November 26, 2019



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
West Kern Community College District
Taft, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *California Community Colleges Contracted District Audit Manual (CDAM) 2018-19*, issued by the California Community Colleges Chancellor's Office. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion of State Compliance

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted below that were audited for the year ended June 30, 2019.

Procedures Performed

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

- Section 421 – Salaries of Classroom Instructors (50 Percent Law)
- Section 423 – Apportionment for Activities Funded From Other Sources
- Section 424 – State General Apportionment Funding System
- Section 425 – Residency Determination for Credit Courses
- Section 426 – Students Actively Enrolled
- Section 427 – Dual Enrollment (CCAP and Non-CCAP)
- Section 430 – Scheduled Maintenance Program
- Section 431 – Gann Limit Calculation
- Section 435 – Open Enrollment
- Section 439 – Proposition 39 Clean Energy Fund
- Section 444 – Apprenticeship Related and Supplemental Instruction (RSI) Funds
- Section 475 – Disabled Student Programs and Services (DSPS)
- Section 479 – To Be Arranged Hours (TBA)
- Section 490 – Proposition 1D and 51 State Bond Funded Projects
- Section 491 – Education Protection Account Funds

Purpose of this Report

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

CWDL, Certified Public Accountants

San Diego, California
November 26, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I – Schedule of Audit Findings and Questioned Costs

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

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

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

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

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

Section II – Financial Statement Findings

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

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

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

Section III – Federal Award Findings and Questioned Costs

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

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

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

Section IV – State Award Findings and Questioned Costs

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

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

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

FINDING #2018-001 – FINANCIAL REPORTING

Criteria or Specific Requirement

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

Condition

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

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

Questioned Costs

There are no questioned costs associated with the condition noted.

Context

The condition impacts periodic and year-end reporting.

Effect

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

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

Cause

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

Recommendation

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

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

Corrective Action

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

Status in Current Year

Implemented.

UNAUDITED SUPPLEMENTARY INFORMATION

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

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

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

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

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

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

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

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

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

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

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

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF TAFT AND KERN COUNTY

The following information concerning the City of Taft (the “City”) and County of Kern (the “County”) is included only for the purpose of supplying general information regarding the area of the District. The Certificates are not a debt of the City, the County, the State of California (the “State”) or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

General

The City. The City is nestled in a small valley in the southern foothills of the Temblor Mountain Range in the heart of California’s oil country. The City is located seven miles north of Maricopa, 35 miles west of Bakersfield, two hours north of Los Angeles, and serves as the main access for San Joaquin Valley residents to the Central Coast beach cities.

Designated as the “Gateway to the Carrizo Plains National Monument,” Taft is also a destination city offering a number of activities for families to enjoy: the Historic Fort; West Kern Oil Museum; Tule Elk Reserve; Honolulu Hills Raceway; Buena Vista Lake and the Buena Vista Golf Course; skydiving at Taft Airports; some of the largest oilfields in California; and four-wheeling in the Temblor Range overlooking Taft and the Carrizo Plains.

The major industries in the area are petroleum production and agriculture. Taft is located in “The Midway,” one of the largest producing oil fields in the continental United States.

The County. The County is located approximately 100 miles north of Los Angeles County in south-central California. The County is the third-largest county in California as measured by area, covering 8,073 square miles. Surrounded by three major mountain ranges, the County has three climatic zones: valley, mountain and high desert. Bordered on the west by San Luis Obispo and Santa Barbara Counties, to the east by San Bernardino County and on the north by Kings, Tulare and Inyo Counties, the County measures 120 miles east-to-west and 67 miles north-to-south.

The County's economy is heavily linked to agriculture and to petroleum extraction. There is also a strong aviation, space, and military presence, such as Edwards Air Force Base, the China Lake Naval Air Weapons Station, and the Mojave Air and Space Port.

Population

The following table lists population estimates for the City, the County and the other major cities in the County as of January 1 each year for the last five calendar years.

**CITY OF BAKERSFIELD
KERN COUNTY
Population Estimates
Calendar Years 2015 through 2019**

	2015	2016	2017	2018	2019
Arvin	20,282	20,836	21,172	21,577	22,178
Bakersfield	372,060	376,996	380,499	384,921	389,211
California City	14,424	14,133	14,481	14,871	15,000
Delano	52,491	52,587	53,231	53,664	53,936
Maricopa	1,164	1,163	1,216	1,237	1,240
McFarland	14,135	14,541	14,880	15,171	15,242
Ridgecrest	28,583	28,646	29,017	29,404	29,712
Shafter	18,164	18,329	19,306	20,093	20,886
Taft	9,505	9,391	9,451	9,493	9,430
Tehachapi	13,145	12,595	12,980	12,976	13,668
Wasco	26,294	26,426	27,002	27,681	27,955
Total Unincorporated	310,920	311,052	312,796	315,475	318,006
Total County	881,167	886,695	896,031	906,563	916,464

Source: State Department of Finance, Demographic Research.

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Employment and Industry

The City is included in the Bakersfield Metropolitan Statistical Area (“MSA”), which includes the County. The tables below provide information about employment by industry type for the County for calendar years 2014 through 2018.

The unemployment rate in the County was 6.0% in September 2019, down from a revised 7.3% in August 2019, and below the year-ago estimate of 6.5%. This compares with an unadjusted unemployment rate of 3.5% for California and 3.3% for the nation during the same period.

**BAKERSFIELD MSA
(County of Kern)
Annual Average Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2018 Benchmark)**

	2014	2015	2016	2017	2018
Civilian Labor Force ⁽¹⁾	393,500	390,900	388,400	385,300	387,000
Employment	352,500	350,900	348,000	349,700	356,100
Unemployment	41,000	39,900	40,400	35,600	30,900
Unemployment Rate	10.4%	10.2%	10.4%	9.2%	8.0%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	60,100	59,300	62,700	62,200	61,900
Mining and Logging	12,700	11,200	8,800	8,500	9,300
Construction	18,200	16,500	14,500	15,000	16,100
Manufacturing	14,600	14,100	13,500	13,500	13,200
Wholesale Trade	9,000	8,700	8,500	8,600	8,300
Retail Trade	30,300	31,600	32,600	32,700	32,000
Transportation, Warehousing, Utilities	10,200	10,500	10,100	10,300	13,300
Information	2,400	2,700	2,200	2,000	2,000
Finance and Insurance	5,500	5,400	5,200	5,200	4,500
Real Estate and Rental and Leasing	3,200	3,200	3,100	3,000	3,100
Professional and Business Services	26,600	26,300	26,000	25,800	26,900
Educational and Health Services	32,600	33,400	34,800	36,500	37,800
Leisure and Hospitality	23,700	25,000	25,500	25,700	26,600
Other Services	7,800	7,700	7,700	7,700	7,900
Federal Government	9,600	9,900	10,200	10,400	10,400
State Government	9,200	9,600	9,900	10,100	10,300
Local Government	40,800	42,100	43,000	42,700	45,200
Total all Industries ⁽³⁾	316,400	317,000	318,300	319,900	328,800

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Largest Employers

The following table shows the major employers in the County as of June 30, 2018.

KERN COUNTY Principal Employers June 30, 2018

Employer Name	Employees	Industry
Edwards Air Force Base	9,353	Federal Government-National Security
County of Kern	7,402	County Government
China Lake Naval Air Weapons Station	7,000	Federal Government
Grimmway Enterprises	3,700	Agriculture
Dignity Health	3,296	Health Care
Adventist Health Bakersfield	2,718	Health Care
William Bolthouse Farms, Inc.	2,250	Agriculture
Kern Medical	1,800	Health Care
City of Bakersfield	1,600	Local Government
Sun World International	1,600	Agriculture

Source: Kern County, Comprehensive Annual Financial Report for fiscal year ending June 30, 2018.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the median household effective buying income for the City, the County, the State and the United States for the period 2015 through 2019.

CITY OF TAFT, KERN COUNTY, STATE OF CALIFORNIA AND THE UNITED STATES Median Household Effective Buying Income 2015 through 2019

	2015	2016	2017	2018	2019
City of Taft	\$38,997	\$38,806	\$41,330	\$45,183	\$39,260
Kern County	42,189	43,795	44,716	47,525	44,937
California	50,072	53,589	55,681	59,646	62,637
United States	45,448	46,738	48,043	50,735	52,841

Source: The Nielsen Company (US), Inc for years 2015 through 2018; Claritas, LLC for 2019.

Commercial Activity

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables. Figures are not yet available for calendar year 2018.

Total taxable sales during the first quarter of calendar year 2018 in City were reported to be \$30,706,769, an 18.94% increase over the total taxable sales of \$25,817,162 reported during the first quarter of calendar year 2017.

CITY OF TAFT Number of Permits and Annual Taxable Transactions (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2013	172	\$87,672	240	\$148,766
2014	170	88,868	238	140,152
2015 ⁽¹⁾	168	77,409	243	115,820
2016	162	69,890	235	103,929
2017	176	72,545	250	114,387

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.

Total taxable sales during the first quarter of calendar year 2018 in the County were reported to be \$3,402,534,642, an 8.27% increase over the total taxable sales of \$3,142,617,311 reported during the first quarter of calendar year 2017.

KERN COUNTY Number of Permits and Annual Taxable Transactions (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2013	11,242	\$8,134,147	16,077	\$15,199,124
2014	11,519	8,589,322	16,336	15,722,694
2015 ⁽¹⁾	6,303	8,549,819	18,455	14,322,101
2016	12,097	8,566,623	18,556	13,885,643
2017	12,253	9,021,040	18,743	13,883,734

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.

Construction Activity

Provided below are the building permits and valuations for the City and the County for calendar years 2014 through 2018.

CITY OF TAFT Building Permit Valuation (Valuation in Thousands of Dollars)

	2014	2015	2016	2017	2018
<u>Permit Valuation</u>					
New Single-family	\$0.0	\$3,203.0	\$1,408.6	\$1,060.1	\$1,473.1
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	<u>78.2</u>	<u>83.8</u>	<u>75.9</u>	<u>199.8</u>	<u>177.3</u>
Total Residential	\$78.2	\$3,286.8	\$1,484.5	\$1,259.9	\$1,650.4
New Commercial	\$3,871.2	\$782.1	\$9.5	\$2,638.1	\$1,111.6
New Industrial	148.7	0.0	0.0	0.0	0.0
New Other	143.6	124.1	184.9	381.6	147.9
Com. Alterations/Additions	<u>342.0</u>	<u>514.0</u>	<u>235.6</u>	<u>314.0</u>	<u>34.5</u>
Total Nonresidential	\$4,505.5	\$1,420.2	\$430.0	\$3,333.7	\$1,294.0
<u>New Dwelling Units</u>					
Single Family	0	21	8	6	8
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	0	21	8	6	8

Source: Construction Industry Research Board, Building Permit Summary.

KERN COUNTY Building Permit Valuation (Valuation in Thousands of Dollars)

	2014	2015	2016	2017	2018
<u>Permit Valuation</u>					
New Single-family	\$444,592.4	\$496,973.6	\$489,908.4	\$398,464.2	\$425,996.3
New Multi-family	51,730.1	28,017.3	12,501.0	1,869.0	43,680.2
Res. Alterations/Additions	<u>32,193.6</u>	<u>27,705.0</u>	<u>30,119.6</u>	<u>44,908.3</u>	<u>29,973.5</u>
Total Residential	\$528,516.1	\$552,695.9	\$532,529.0	\$445,241.5	\$499,650.0
New Commercial	\$148,418.5	\$116,726.1	\$121,385.2	\$105,869.2	\$385,525.8
New Industrial	19,876.5	11,396.1	5,469.5	16,971.2	5,884.3
New Other	627,586.8	646,808.6	89,364.6	125,642.4	62,362.4
Com. Alterations/Additions	<u>165,036.0</u>	<u>144,820.5</u>	<u>132,775.7</u>	<u>119,587.6</u>	<u>116,848.6</u>
Total Nonresidential	\$960,917.8	\$919,751.3	\$348,995.0	\$368,070.4	\$570,621.1
<u>New Dwelling Units</u>					
Single Family	2,047	2,184	2,181	1,872	1,894
Multiple Family	<u>380</u>	<u>270</u>	<u>66</u>	<u>6</u>	<u>346</u>
TOTAL	2,427	2,454	2,247	1,878	2,240

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX D

FORM OF LEGAL OPINION

[Letterhead of Jones Hall, A Professional Law Corporation]

_____, 2019

Board of Trustees
West Kern Community College District
29 Cougar Court
Taft, California 93268

OPINION: \$_____ 2020 Certificates of Participation Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the West Kern Community College District, California as the Rental for Certain Property Under a Lease Agreement with the Public Property Financing Corporation of California

Members of the Board of Trustees:

We have acted as special counsel in connection with the delivery by the West Kern Community College District (the "District") of a Lease Agreement dated as of May 1, 2015, as amended and supplemented under a First Amendment and Supplement to Lease Agreement dated as of January 1, 2020 (the "Lease Agreement"), between the Public Property Financing Corporation of California, a California nonprofit public benefit corporation (the "Corporation") as lessor and the District as lessee. Under a Trust Agreement dated as of January 1, 2020 (the "Trust Agreement"), among the District, the Corporation and U.S. Bank National Association, as trustee (the "Trustee"), the Trustee has executed and delivered 2020 Certificates of Participation (New Student Center Project) in the aggregate principal amount of \$_____ (the "Certificates") evidencing the direct, undivided fractional interests of the owners thereof in certain supplemental lease payments to be made by the District under the Lease Agreement (the "Lease Payments"), which have been assigned by the Corporation to the Trustee under an Assignment Agreement dated as of January 1, 2020 (the "Assignment Agreement") between the Corporation and the Trustee.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Lease Agreement and the Trust Agreement, and in certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The District is a community college district duly organized and validly existing under the Constitution and laws of the State of California with the full power to enter into the Lease Agreement and the Trust Agreement and to perform the agreements on its part contained therein.

2. The Lease Agreement and the Trust Agreement have been duly approved by the District and constitute valid and binding obligations of the District enforceable against the District in accordance with their respective terms.

3. The Certificates have been validly executed and delivered by the Trustee under the Trust Agreement and, by virtue of the assignment made under the Assignment Agreement, the owners of the Certificates are entitled to the benefits of the Lease Agreement.

4. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Tax Code relating to the exclusion from gross income for federal income tax purposes of interest with respect to obligations such as the Certificates. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of delivery of the Lease Agreement.

5. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Lease Agreement or the Certificates.

The rights of the owners of the Certificates and the enforceability of the Lease Agreement and the Trust Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____

2020 CERTIFICATES OF PARTICIPATION
Evidencing the Direct, Undivided Fractional Interests of the
Owners Thereof in Lease Payments to be Made by the
WEST KERN COMMUNITY COLLEGE DISTRICT
To the Public Property Financing Corporation of California

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is dated _____, 2020 and is executed and delivered by the West Kern Community College District (the “**District**”) in connection with the execution and delivery of the captioned certificates of participation (the “**Certificates**”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of January 1, 2020 (the “**Trust Agreement**”), among the District, the Public Property Financing Corporation of California and U.S. Bank National Association as trustee for the Certificates (the “**Trustee**”).

The District hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms have the following meanings:

“*Annual Report*” means any Annual Report provided by the District under and as described in Sections 3 and 4.

“*Annual Report Date*” means the date not later than nine months after the end of each fiscal year of the District (currently June 30th), commencing by March 31, 2020.

“*Dissemination Agent*” means, initially Capitol Public Finance Group, LLC, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a).

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

“*Official Statement*” means the final official statement executed by the District in connection with the issuance of the Certificates.

“Participating Underwriter” means the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Trustee” means U.S. Bank National Association, or any successor thereto.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing not later than March 31, 2020 with the report for the 2018-19 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Trustee and Participating Underwriter.

(c) With respect to each Annual Report, the Dissemination Agent shall:

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided under this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the following information with respect to the most recently completed fiscal year, or, if available at the time of filing the Annual Report, such information with respect to the then-current fiscal year:

- (i) the most recently adopted budget which is available at the time of filing the Annual Report;
- (ii) pension plan contributions for the most recently completed fiscal year;
- (iii) a summary of the outstanding principal amounts of short-term borrowings, lease obligations and other long-term borrowings of the District for the most recently completed fiscal year;
- (iv) such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Certificates:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.

- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Certificate calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional Trustee or the change of name of a Trustee, if material.
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, the notice of Listed Event described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the Trust Agreement.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a certificate call), (a)(10), (a)(13), (a)(14) , and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Lease Payments relating to the Certificates. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District

obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Dale Scott & Company, Inc. Any Dissemination Agent may resign by providing 30 days’ written notice to the District and the Trustee.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Certificate holders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Date: _____, 2020

**WEST KERN COMMUNITY COLLEGE
DISTRICT**

By: _____

Name:

Title:

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: West Kern Community College District (the "District")

Name of Issue: \$_____ West Kern Community College District 2020 Certificates of Participation

Date of Issuance: _____, 2020

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Certificates of Participation as required by the Continuing Disclosure Certificate executed by the District in connection with the execution and delivery of the Certificates captioned above. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

**WEST KERN COMMUNITY COLLEGE
DISTRICT**

By: _____
Its: _____

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates and other related transactions between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) Certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC") will act as securities depository for the securities (in this Appendix, the "Certificates"). The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Certificate will be issued for each maturity of each series of the Certificates, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding

company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

4. To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Prepayment notices will be sent to DTC. If less than all of the Certificates within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's

MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Prepayment proceeds, distributions, and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to District or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Certificates are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Certificate certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

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APPENDIX G
KERN COUNTY INVESTMENT POLICY

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**OFFICE OF THE TREASURER-TAX COLLECTOR
COUNTY OF KERN**

**TREASURER'S STATEMENT OF INVESTMENT POLICY
*Approved By the Board of Supervisors December 4, 2018***

SCOPE:

The County of Kern's Investment Policy has been prepared in accordance with California Government Code (CGC) sections 53630 et seq. The complete text of California Government Code Section 53630 is set forth on the Internet at www.leginfo.ca.gov.

This policy shall be reviewed annually by the County's Treasury Oversight Committee and approved by the County Board of Supervisors. The purpose of this policy is to establish cash management and investment guidelines for the County Treasurer, who is responsible for the management and investment of the County Treasurer's Pool, which consists of pooled monies held on behalf of the County, school districts, community college districts and certain special districts within the County.

This policy shall apply to all investments held within the County Treasurer's Pool and made on behalf of the County and member agencies of the Pool with the exception of certain bond funds for which the Board of Supervisors may specifically authorize other allowable investments, consistent with State law. Also exempt from this policy are retirement funds and other post employment benefit (OPEB) funds managed through an external trust. The Treasurer and Treasurer's staff are responsible for the full-time, active management of the Pool. All investments and activities of the Treasurer and staff are conducted with the understanding that the Treasurer holds a public trust with the citizens of the County, which cannot be compromised.

FIDUCIARY RESPONSIBILITY:

CGC Section 27000.3, declares each Treasurer, or governing body authorized to make investment decisions on behalf of local agencies, to be a fiduciary subject to the prudent investor standard as stated in CGC Section 53600.3:

"When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law."

PORTFOLIO OBJECTIVES:

It is the policy of the Treasurer to invest public funds in a manner which will preserve the safety and liquidity of all investments within the County investment pool while obtaining a reasonable return within established investment guidelines. The portfolio should be actively managed in a

manner that is responsive to the public trust and consistent with State law. Accordingly, the County Treasurer's Pool will be guided by the following principles, in order of importance:

1. The primary objective of the Treasurer's investment of public funds is to safeguard investment principal.
2. The secondary objective is to maintain sufficient liquidity to insure that funds are available to meet daily cash flow requirements.
3. The third and last consideration is to achieve a reasonable rate of return or yield consistent with these objectives.

AUTHORIZED INVESTMENTS:

Investments shall be restricted to those authorized in the CGC and as further restricted by this policy statement, with the exception of certain bond funds in which the Board of Supervisors has specifically authorized other allowable investments. All investments shall be further governed by the restrictions shown in Schedule I which defines the type of investments authorized, maturity limitations, portfolio diversification (maximum percent of portfolio), credit quality standards, and purchase restrictions that apply. Whenever a maximum allowable percentage of the portfolio is stipulated for any type of security or structural maturity range, the limit or maximum allowable is determined by the portfolio size at the close of the date on which the security is settled.

In conjunction with these restrictions, County Treasurer staff shall diversify its investments by security type, issuer and maturity. The purpose of this diversification is to reduce portfolio risk by avoiding an over concentration in any particular maturity sector, asset class or specific issuer. As Agency security holdings are the largest portion of the pool, diversification among the Agency issuers should be considered to the extent practical when making investments.

PROHIBITED INVESTMENTS:

No investment shall be made that is prohibited by 53601.6 as may be from time to time amended.

STAFF AUTHORIZED TO MAKE INVESTMENTS:

Only the Treasurer, Assistant Treasurer, Principal Treasury Investment Officer and department Accountants, when acting as the Investment Officer, are authorized to make investments and to order the receipt and delivery of investment securities among custodial security clearance accounts.

AUTHORIZED BROKER/DEALERS:

The County Treasurer shall maintain an 'Eligible Broker/Dealer List'. Firms eligible to do business with the County are:

- Primary Broker/Dealers eligible to trade with the New York branch of the Federal Reserve Bank

- Regional Broker/Dealers meeting the minimum capital requirements of the Securities Exchange Commission
- Introducing Brokers meeting the minimum capital requirements of the Securities Exchange Commission
- National or State banks, domestic branches of properly licensed foreign banks, credit unions, savings and loan institutions, thrift associations
- Direct Issuers meeting the appropriate credit criteria for the securities being offered
- Other institutions as authorized by law

All firms with whom the County does business shall comply with the requirements set forth in Schedule IV. County Treasurer staff shall conduct an annual review of each Broker/Dealer's current financial condition and performance in servicing the County over the prior year.

Further, in compliance with CGC Section 27133(c) & (d), no dealer and/or securities firm shall be eligible if they have made a political contribution in excess of the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board or exceeded the limit on honoraria, gifts, and gratuities set by State law, or by the Fair Political Practices Commission, by County Ordinance or Departmental Policy.

DUE DILIGENCE:

County Treasurer staff shall conduct a thorough review and perform due diligence of all firms seeking to do business with the County prior to conducting transactions with those parties and on a continuing basis. This due diligence may include a periodic review of recent news, financial statements and SEC filings related to each entity.

INTERNAL CONTROL:

The County Treasurer has established a system of internal control to provide reasonable assurance that the investment objectives are met and to ensure that the assets of the County Treasury Pool are protected from loss, theft or misuse. The concept of reasonable assurance recognizes that the cost of control shall not exceed the benefits likely to be derived and that the valuation of costs and benefits require estimates and judgments by management. The County Treasurer shall develop and maintain written procedures for the operation of the investment program, which are consistent with this policy. These procedures shall include reference to separation of duties, safekeeping, collateralization, wire transfers and banking related activities.

Except for declared emergencies, the County Treasurer's Office shall observe the following procedures on a daily basis:

1. All investment transactions conducted by the County Treasurer's Office shall be immediately confirmed and entered into the Treasurer's Portfolio Accounting System.
2. A copy of each day's investment transactions shall be filed with the County Auditor-Controller.

3. County investments shall be executed, confirmed, accounted for, and audited by different people.

SECURITY CUSTODY & DELIVERIES:

All securities purchased shall be deposited for safekeeping with the Custodial Bank that has contracted to provide the County Treasurer with custodial security clearance services or with a tri-party custodian bank under a written tri-party custody agreement. These third party trust department arrangements provide the County with a perfected interest in, ownership of and control over the securities held by the bank custodian on the County's behalf, and are intended to protect the County from the bank's own creditors in the event of a bank default and filing for bankruptcy. Securities are not to be held in investment firm/broker dealer accounts. All security holdings shall be reconciled monthly by the County Treasurer and audited at least quarterly by the County Auditor.

All security transactions are to be conducted on a "delivery-versus-payment basis". All trades will be immediately confirmed with the Broker/Dealer and reconfirmed through the Custodian Bank.

COMPETITIVE PRICING:

Investment transactions are to be made at current market prices. Wherever possible, competitive prices should be obtained through obtaining multiple bids or offers. When possible, bids and offers for any investment security shall be taken from a minimum of three security dealers/brokers or banks and awards shall be made to the best bid or offer. The primary source of pricing information and guidance will be that information available through Bloomberg LLP, a world-wide financial news service to which the County subscribes.

LIQUIDITY:

The portfolio will maintain a weighted-average maturity of no greater than 2 years. To provide sufficient liquidity to meet daily expenditure requirements, the portfolio will maintain at least 35% of its total book value in securities having a maturity of one (1) year or less.

PORTFOLIO EVALUATION:

The portfolio is monitored and evaluated daily, monthly, and quarterly by the County Treasurer's Office. Monthly market value pricing is provided by a third party. Earned yield is calculated each month. Benchmarks for earned yield and investment performance will be commensurate with the pool's investment goals, credit limits, and target weighted average maturity and duration.

MITIGATING MARKET & CREDIT RISKS:

Safety of principal is the primary objective of the portfolio. Each investment transaction shall seek to minimize the County's exposure to market and credit risks by giving careful and ongoing attention to the: (1) credit quality standards issued by Standard & Poor's, Moody's and Fitch's rating services on the credit worthiness of each issuer of securities, (2) limiting the duration of investments to the time frames noted in Schedule I, and (3) by maintaining the diversification and liquidity standards expressed within this policy.

In the event of a downgrade of a security held in the portfolio, the Principal Treasury Investment Officer shall report the downgrade to the Treasurer within a maximum of 3 days. In the event of a downgrade below the minimum credit ratings authorized by this policy, the security shall be evaluated on a case-by-case basis to determine whether the security shall be sold or held. Every effort will be made to sell such a security without a book loss. In the event of a potential loss upon sale, the Treasurer will evaluate whether to hold or sell the security based on the amount of loss, remaining maturity and any other relevant factors including the issuer's default risk, headline risk, and short term vs. long term financial metrics.

TRADING & EARLY SALE OF SECURITIES:

Securities should be purchased with the intent of holding them until maturity. However, in an effort to minimize market risks, credit risks, and increase the return of the portfolio, securities may be sold prior to maturity either at a profit or loss when economic circumstances or a deterioration in credit worthiness of the issuer warrant a sale of the securities to either enhance overall portfolio return or to minimize loss of investment principal. In measuring a profit or loss, the sale proceeds shall be compared to the original cost of the security plus accrued interest earned and/or any accretion or amortization of principal on the security from the date of purchase or the last coupon date, to the date of sale.

PORTFOLIO REPORTS/AUDITING:

On a monthly basis, the County Treasurer shall prepare and file with the Board of Supervisors, the County Administrative Officer, and County Auditor-Controller, a report consisting of, but not limited to, the following:

1. Monthly investment transactions, investments detailing each by type, issuer, date of maturity, par value and stating the book vs. current market value together with all other portfolio information required by law.
2. Compliance of investments to the existing County Investment Policy.
3. A statement confirming the ability of the Pool to meet anticipated cash requirements for the Pool for the next six months.

TREASURY OVERSIGHT COMMITTEE:

In accordance with the CGC Section 27131, the Board of Supervisors has established a Treasury Oversight Committee. The Treasury Oversight Committee will render unbiased and objective opinions on matters involving the Treasurer's investment of public funds. Specifically, the law requires that the Treasury Oversight Committee meet to:

1. Review the Treasurer's annual Investment Policy Statement and any subsequent changes thereto, prior to its submission to the Board of Supervisors for review and adoption,
2. Review the Treasurer's investment portfolio reports and the portfolio's compliance with law and this Investment Policy,
3. Cause an annual audit to be conducted on the Treasurer's Pooled Investment portfolio.

All meetings of the Oversight Committee are to be open to the public and subject to the Ralph

M. Brown Act. By law, the Treasury Oversight Committee is not allowed to direct individual investment decisions, nor select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the County Treasury.

QUARTERLY DISTRIBUTION OF INVESTMENT EARNINGS:

All moneys deposited in this pool by the participants represent an individual interest in all assets and investments in the pool based upon the amount deposited. Portfolio income shall be reconciled daily against cash receipts, and quarterly prior to the distribution of earnings among those entities sharing in pooled fund investment income. Nonetheless, actual portfolio income and/or losses, net of any reserves, will be distributed quarterly using the accrual basis of accounting, in compliance with the CGC Section 53684, among those participants sharing in pooled investment income. Except for specific investments in which the interest income is to be credited directly to the fund from which the investment was made, all investment income is to be distributed pro-rata based upon each participant's average daily cash balance for the calendar quarter.

QUARTERLY APPORTIONMENT OF ADMINISTRATIVE COSTS:

Prior to the quarterly apportionment of pooled fund investment income, the County Treasurer is permitted by CGC Section 53684 to deduct from investment income before the distribution thereof, the actual cost of the investments, auditing, depositing, handling and distribution of such income. Accordingly, the Treasurer shall deduct from pooled fund investment earnings the actual cost incurred for banking and investment related services including but not limited to: wire transfers, custodial safekeeping charges, necessary capital outlays, the costs of investment advisory services, credit ratings, the pro-rata annual cost of the salaries including fringe benefits for the personnel in the Treasurer-Tax Collector's Office engaged in the administration, investment, auditing, cashiering, accounting, reporting, remittance processing and depositing of public funds for investment, together with the related computer and office expenses associated with the performance of these functions.

WITHDRAWAL OF FUNDS:

The Treasurer's Investment Policy establishes guidelines for unusual or unexpected withdrawal of cash and provides for adequate liquidity to cover day-to-day operations of pool depositors. On occasion, depositors have need of withdrawals that exceed those normally associated with operations. To accommodate such withdrawals, the Treasurer-Tax Collector's Office has established written notification requirements as set forth below to allow for adjustments to the liquidity position of the Portfolio. The notification required is as follows:

Withdrawals of up to \$10,000,000	24 hours
Withdrawals of \$10,000,001 and more	72 hours

Notification should be by email to 2servu@co.kern.ca.us. Failure to adhere to these requirements may result in payment being delayed by the Treasurer-Tax Collector's office.

Pursuant to CGC Section 27136, any local agency, public agency, public entity, or public official that has funds on deposit in the county treasury pool and that seeks to withdraw funds for the purpose of investing or depositing those funds outside the county treasury pool is required to first submit a request for the withdrawal to the county Treasurer-Tax Collector before withdrawing funds from the county treasury pool. Prior to approving such a request, the county

Treasurer-Tax Collector will find that the withdrawal will not adversely affect other depositors in the county treasury pool. Approval of the withdrawal does not constitute approval or endorsement of the investment.

POLICY CRITERIA FOR AGENCIES SEEKING VOLUNTARY ENTRY INTO COUNTY INVESTMENT POOL:

The County Treasurer is not soliciting nor accepting any new agency's voluntary entry into the County Treasurer's Pool.

ETHICS & CONFLICTS OF INTEREST:

Officers and staff members involved in the investment process shall refrain from any personal business activity that compromises the security and integrity of the County's investment program or impairs their ability to make impartial and prudent investment decisions. The County Treasurer-Tax Collector, Assistant Treasurer-Tax Collector, Principal Treasury Investment Officer and department Accountants are required to file annually the applicable financial disclosure statements as mandated by the Fair Political Practices Commission (FPPC) and/or by County Ordinance. In addition, the Principal Treasury Investment Officer and department Accountants are required to sign and abide by an Ethics Policy instituted by the Treasurer.

POLICY ADOPTION & AMENDMENTS:

This policy statement will become effective immediately following adoption by the Board of Supervisors, and will remain in force as long as the delegation of authority to the Treasurer to invest is in effect and until subsequently amended in writing by the County Treasurer, reviewed by the Treasury Oversight Committee and approved by the Board of Supervisors.

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**OFFICE OF THE TREASURER
COUNTY OF KERN
STATEMENT OF INVESTMENT POLICY**

Schedule I

Authorized Investments

AUTHORIZED INVESTMENTS	MAXIMUM HOLDINGS	PURCHASE RESTRICTIONS	MAXIMUM MATURITY	CREDIT QUALITY (S&P/MOODY'S/FITCH)
Inactive Accounts aka Money Market Accounts	\$50,000,000 per account	Limited to depository's described in CGC 53630.5	Daily	Collateralization requirements per Govt Code section 53652.
U.S. Treasury Obligations	100%	None	5 years	Not Applicable
Notes, participation's or obligations issued by an agency of the Federal Government or U.S. government-sponsored enterprises	75%	Maximum per issuer limit of 40%	5 years	Not Applicable
Bonds, notes, warrants or certificates of indebtedness issued by the State of California	10%	None	5 years	AA by at least 2 of the 3 rating agencies
Cash substitutes issued by the State of California	25%	Applies only to cash substitutes issued by the State during periods of fiscal emergency	5 years	Not Applicable
Bonds, notes, warrants or certificates of indebtedness issued by agencies within the State of California	10%	None	5 years	AAA by at least 2 of the 3 rating agencies
Bonds, notes, warrants or certificates of indebtedness issued by any of the other 49 states	10%	None	5 years	AAA by at least 2 of the 3 rating agencies
Bankers Acceptances	30%	See Note 1	180 Days	Minimum A-1, P-1 or F1

Commercial paper of U.S. Corps with total assets in excess of \$500 MM	40% total for all Commercial Paper	Max 10% of outstanding paper of any one issuer & max. See Note 1	270 Days	Minimum A-1, P-1 or F1
Asset-backed Commercial Paper	Included in Commercial Paper Requirements	Issuer must have program-wide credit enhancements	270 Days	Minimum A-1, P-1 or F1
Local Agency Investment Fund (LAIF)	Maximum amount permitted by LAIF	LAIF Policies	Daily	Not Applicable
Negotiable CD's issued by US National or State chartered banks or a savings association or a federal association, a state or federal credit union, or by a federally licensed or state licensed branch of a foreign bank	30%	See Note 1	5 years	Minimum A-1, P-1 or F1 for CDs issued with a maturity of one year or less. AA for CDs issued with a maturity of more than one year (must be rated by 2 of the 3 rating agencies)
Collateralized Certificates of Deposit/Deposits	10%	As stipulated in Article 2, Section 53630 et al of the Calif. Government Code	1 year	See Section 53630 et al of the California Government Code
Repurchase Agreements with 102% collateral	40%	Repurchase Agreements(contracts) must be on file	180 days	Restricted to Primary Dealers on Eligible Dealer list
Reverse Repurchase Agreements	10%	See Schedule II	92 days (See Schedule III)	Restricted to Primary Dealers on Eligible Dealer list
Medium Term Notes of corporations organized and operating within the U.S. or by depository institutions licensed by the U.S. or any state and operating within the U.S.	30%	See Note 1	5 years	Minimum rating of AA for maturities exceeding 1 year. A for maturities of one year or less. (must be rated by 2 of the 3 rating agencies)
Money Market Mutual Funds that meet requirements of Calif. Gov't. Code	15%	Registered with SEC. No NAV adjustments. No Front-end loads. No more than 10% per MMF.	Daily	AAAm or equivalent by at least 2 of the 3 rating agencies or advisor requirements

Shares of beneficial interest issued by a JPA aka Local Government Investment Pools (LGIPs)	10%	None	Daily	Advisor requirements
Asset-Backed Securities	10%	None	5 years	AAA by at least 2 of the 3 ratings agencies
Supranationals	10%	International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB) only. Permitted by CGC 53601 (q) and this policy effective January 1, 2015.	5 years	AAA by at least 2 of the 3 rating agencies

Note 1: Maximum investment per issuer across all investment types will not exceed 6% of the total book value of the Pool as of date of purchase.

Note 2: Consistent with the Government Code, rating criteria in this policy do not specify any modifier (+/- or 1/2/3) and it is implied that ratings with a modifier still meet the rating requirements of this policy regardless of modifier.

Note 3: While references to ratings of AAA, AA, A are in S&P's nomenclature, they imply the equivalent ratings by all other rating agencies.

MATURITY STRUCTURE		
Maturity Range	No less Than	No more than
0-366 Days - 0 to 12months	35%	n/a
367- 1097 Days - 1 to 3 years	n/a	65%
1097-1827 Days - 3 to 5 years	n/a	25%

The weighted-average maturity of the portfolio will not exceed 2 years.

Some securities purchased by the Pool will be callable securities. Callable securities are subject to redemption prior to the final maturity date. For accounting purposes, premiums will be amortized to the next applicable call date, whereas discounts will be accreted to the final maturity date. Callable securities will not exceed 20% of the portfolio.

Some callable securities have coupons that increase at specified periods if the security is not called (step-up notes). Step-up notes will be included in the 20% allocation of callable notes, but will not exceed 10% of the total portfolio.

REPURCHASE AGREEMENTS

Repurchase agreements are restricted to primary dealers of the Federal Reserve Bank of New York. All counterparties must sign a PSA Master Repurchase Agreement and for tri-party repurchase agreements a Tri-Party Repurchase Agreement as well before engaging in any repurchase agreement transactions. Collateral for repurchase agreements shall have a market value of at least 102% of the amount invested and must be marked to market by staff or by an independent third-party or custodial bank acting under contract to the County. Collateral for term repurchase agreements should be marked to market on a regular basis. Repurchase agreements are required to be collateralized by securities authorized under Section 53601 et.

seq. of the California Government Code. Confirmations resulting from securities purchased under repurchase agreements should clearly state (A) the exact and complete nomenclature of the underlying securities purchased; (B) that these securities have been sold to the County under a repurchase agreement; and (C) the stipulated date and amount of the resale by the County back to the seller of the securities.

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**OFFICE OF THE TREASURER
COUNTY OF KERN
STATEMENT OF INVESTMENT POLICY**

SCHEDULE II

POLICY STATEMENT ON REVERSE REPURCHASE AGREEMENTS

The Treasurer hereby institutes the following policies as further safeguards governing investments in Reverse Repurchase Agreements.

The total of Reverse Repurchase Agreement transactions shall not exceed 10 percent of the base value of the portfolio. The term of such agreements shall not exceed 92 calendar days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using such an agreement and the final maturity date of the same security.

1. All loaned securities subject to Reverse Repurchase Agreements shall be properly flagged and immediately accounted for in the Treasurer's financial system.
2. Investments purchased from the loaned proceeds of the Reverse Repurchase Agreement shall have maturities not exceeding the due date for repayment of the Reverse Repurchase Agreement transaction.
3. Only U.S. Treasury Notes and Federal Agency securities owned, fully paid for, and held in the Treasurer's portfolio for a minimum of 30 days can be subject to Reverse Repurchase Agreements.
4. Reverse Repurchase Agreements shall only be placed on portfolio securities:
 - (a) intended to be held to maturity
 - (b) fully paid for and held in the portfolio for a minimum of 30 days
5. Reverse Repurchase Agreements shall only be made with the authorized primary dealers of the Federal Reserve.
6. A contractual agreement must be in place prior to entering into a Reverse Repurchase Agreement with any authorized primary dealer.
7. Reverse Repurchase Agreement transactions shall have the approval of the County Treasurer.

**OFFICE OF THE TREASURER
COUNTY OF KERN
STATEMENT OF INVESTMENT POLICY**

SCHEDULE III

POLICY CRITERIA FOR COLLATERALIZED CERTIFICATE OF DEPOSITS

1. The issuing bank must provide us with an executed copy of the authorization for deposit of moneys.
2. The money-market yield on the certificate of deposit must be competitive to negotiable CD's offered by banks on the County's pre-approved list in the maturities desired by the County. The County Treasurer's Office reserves the right to negotiate higher yields based on market conditions at the time.
3. Collateral Requirements – The County will only accept municipal government securities (“muni bonds”) or U.S. Treasury and Agency securities as collateral. The collateral must be held by a separate custodial bank in an account in the name of Kern County. The County must have a perfected interest in the collateral.
 - a. For municipal government securities, the following requirements are listed:
 - i. Securities must be issued by governmental agencies located within the State of California (generally general obligation bonds and revenue bonds only)
 - ii. Securities must be “AAA” rated
 - iii. Maximum maturity of securities is 5 years
 - iv. Collateral must be priced at 110% of the face value of the CD on a daily basis
 - v. Minimum face value of \$5 million per pledged security
 - b. For U.S. Treasuries and Agency securities, the following requirements are listed:
 - i. Maximum maturity of securities is 5 years
 - ii. Collateral must be priced at 110% of the face value of the CD on a daily basis
 - iii. Minimum face value of \$5 million per pledged security

The County Treasury must receive written confirmation that these securities have been pledged in repayment of the time deposit. Additionally, a statement of the collateral shall be provided on a monthly basis from the custodial bank.

4. The County Treasurer must be given a current audited financial statement for the financial year just ended. The financial reports must both include a statement of financial condition as well as an income statement depicting current and prior year operations.
5. The County Treasurer must receive a certificate of deposit which specifically expresses the terms governing the transaction, deposit amount, issue date, maturity date, name of depositor, interest rate, interest payment terms (monthly, quarterly, etc.)
6. Deposits will only be made with banks and savings and loans having branch office locations within Kern County.

OFFICE OF THE TREASURER
COUNTY OF KERN
STATEMENT OF INVESTMENT POLICY

SCHEDULE IV

POLICY CRITERIA FOR SELECTION OF BROKER/DEALERS

1. All financial institutions wishing to be considered for the County of Kern's Broker/Dealer List must confirm that they are a member of the Financial Industry Regulatory Authority (FINRA), registered with the Securities & Exchange Commission (SEC), and possess all other required licenses.
2. The County Treasurer's intent is to enter into a long-term relationship. Therefore, the integrity of the firm and the personnel assigned to our account is of primary importance.
3. The assigned staff members must complete a Brokers Certificate stating in writing their acceptance and understanding of the County Treasurer's written Investment Policy guidelines. *Such Certificate must be renewed annually.* This is critical for the establishment of a stable, long-term relationship.
4. It is important that the firm provide related services that will enhance the account relationship which could include:
 - (a) An active secondary market for its securities.
 - (b) Internal credit research analysis on the securities offered for sale.
 - (c) Be willing to purchase securities from our portfolio.
 - (d) Be capable of providing market analysis, economic projections, newsletters.
5. The firm must provide the County with annual financial statements. All firms with whom the County does business must have a stable financial condition.
6. The County Treasury is prohibited from the establishment of a broker/dealer account for the purpose of holding the County's securities. All securities must be subject to delivery at the County's Custodial Bank.
7. Without exception, all transactions are to be conducted on a delivery vs. payment (DVP) basis or for repurchase agreements, on a tri-party basis.
8. The broker/dealer must have been in operation for more than five (5) years.
9. Firms must have adequate financial strength and capital to support the level of trading that is approved. Adequate financial strength will be assessed by a review of the balance sheet and income statement of the dealer.
10. Repurchase Agreement Counterparty Minimum Requirements:
Repurchase agreement counterparties will be limited to (i) primary government securities

dealers who report daily to the Federal Reserve Bank of New York, or (ii) banks, savings and loan associations or diversified securities broker-dealers subject to regulation of capital standards by any State or federal regulatory agency.

Counterparties must have:

- (a) short-term credit ratings of at least A-1/P-1; and
- (b) a minimum asset and capital size of \$25 billion in assets and \$350 million in capital for primary dealers

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GLOSSARY OF TERMS

ACCRUED INTEREST – Interest that has accumulated but has not yet been received.

AGENCY ISSUES – Securities issued by federal agencies, those chartered by the federal government or Government Sponsored Enterprises that are considered to be backed by the federal government. See also Government Sponsored Enterprises.

AMORTIZED COST – The original cost of the principal adjusted for the periodic reduction of any discount or premium from the settlement date until a specific future date (also called “Book Value”).

BANKERS ACCEPTANCE – Money market instrument created from transactions involving foreign trade. Payment is guaranteed by a shipping manifest and a bank Letter of Credit accepted by the seller’s bank.

BASIS POINT – A unit of measurement equal to 1/100 of 1 percent. As an example, the difference between a security yielding 3.25% and one yielding 3.20% is five basis points.

BENCHMARK – An index or security used to compare the performance of a portfolio.

BOND – A long-term debt instrument of a government or corporation promising payment of the original investment plus periodic interest payments by a specified future date.

BOOK RETURN – The sum of all investment income plus changes in the realized gains or losses of a portfolio for a given period.

BULLET – A colloquial term for a bond that cannot be redeemed, or called, prior to maturity.

CALLABLE BOND – A bond in which all or a portion of its outstanding principal may be redeemed prior to maturity by the issuer under specified conditions.

COLLATERALIZATION – Process by which a borrower pledges securities, property or other deposits for the purpose of securing the repayment of a loan and/or security.

COLLATERALIZED CERTIFICATE OF DEPOSIT – A non-negotiable instrument representing a deposit into a bank. The interest rate and maturity are specified on the receipt. It is collateralized by the bank with securities at a minimum of 110% of the deposit amount.

COMMERCIAL PAPER – An unsecured short-term promissory note of a corporation or special purpose entity issued at a specified rate of return for a specified period of time.

COUPON – The stated interest rate on a debt security that an issuer promises to pay.

CREDIT QUALITY – An indication of the risk that an issuer of a security will fulfill its obligation.

CREDIT RATING – A standardized assessment, expressed in alphanumeric characters, of a company’s credit quality.

CREDIT RISK – The risk to an investor that an issuer will default in the payment of interest

and/or principal on a security.

CUSIP – A unique identifier for a security developed by the Committee on Uniform Security Identification Procedures (CUSIP). The identifier is a nine-digit alphanumeric character *string*. The first six characters identify the issuer, the following two identify the issue, and the final character is a Check-digit.

DERIVATIVES – Securities which derive their value from that of another security or an underlying index, currency or other measure. Floating rate notes (also “floaters”) are not considered derivatives.

DISCOUNT INSTRUMENTS – Securities that are sold at a discount to face value.

DIVERSIFICATION – The practice or concept of investing in a range of securities by sector, maturity, asset class or credit quality in order to reduce and spread financial risk.

DOLLAR WEIGHTED AVERAGE MATURITY – The sum of the cost of each security investment multiplied by the number of days to maturity, divided by the total cost of security investments.

EFFECTIVE DURATION – Is a measure of the price volatility of a portfolio that provides an estimate of the projected increase or decrease in the value of that portfolio based upon a decrease or increase in market interest rates. An effective duration of 1.0 means that for every one percent increase in interest rates, the market value of the Portfolio would be expected to decrease by 1.0 percent.

EARNINGS APPORTIONMENT – Is the quarterly interest distribution to the Pool Participants. The actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pool prior to apportionment.

GOVERNMENT OBLIGATIONS – Securities issued by the U.S. Treasury and Federal Agencies. U.S. Treasuries are direct obligations of the Federal Government. Agencies are not direct obligations of the Federal Government, but involve federal sponsorship or guarantees.

GOVERNMENT SPONSORED ENTERPRISES (GSE'S) – Private, shareholder-owned companies with a relationship with government agencies. These agencies generally are viewed to have an implied guarantee of the U.S. government. These include:

- Federal National Mortgage Association (FNMA)
- Federal Home Loan Bank (FHLB)
- Federal Farm Credit Bank (FFCB)
- Federal Home Loan Mortgage Corporation (FHLMC)

LIQUID – A security that is easily converted to cash because there are many interested buyers and sellers to trade large quantities at a reasonable price.

ILLIQUID – A security that is difficult to buy or sell or has a wide spread between the bid price and offer price in the secondary market. There are few buyers and sellers willing to trade large quantities at a reasonable price.

INTEREST RATE RISK – The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value. It is also

called "Market Risk".

INVERSE FLOATERS – Floating rate notes which pay interest in inverse relationship to an underlying index.

LOCAL AGENCY OBLIGATION – An indebtedness issued by a local agency, department, board, or authority within the State of California.

LONG-TERM – The term used to describe a security when the maturity is greater than one year.

MARKET VALUE – The value of a security at which the principal could be sold from a willing seller to a willing buyer at the date of pricing.

MEDIUM TERM NOTES – These are Corporate Notes and Bank Notes that are debt obligations of banks, corporations, and insurance companies. They are issued at a specific rate of return for a specific period of time.

MONEY MARKET MUTUAL FUND – A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

NEGOTIABLE CERTIFICATE OF DEPOSIT – A Money Market instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time, that is traded in secondary markets.

PAR – The stated maturity value, or face value, of a security.

PASS-THROUGH SECURITIES – A debt instrument that reflects an interest in a mortgage pool, consumer receivables pool and equipment lease-backed pool that serves as collateral for a bond. Principal and interest are 'passed through' to investors at specified intervals.

POOL – The pooled monies of different government agencies administered by the County Treasurer. Each pool member owns a fractional interest in the securities held in the Pool.

PORTFOLIO VALUE – The total book value amount of all the securities held in the Treasurer's Pooled Money Fund.

PRIMARY DEALER – A dealer or bank that can buy and sell securities directly with the Federal Reserve Bank of New York.

PRIVATE PLACEMENTS – Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

RANGE NOTES – Notes which pay interest only if the underlying index upon which it is benchmarked, falls within a certain range.

REPURCHASE AGREEMENT – A repurchase agreement consists of two simultaneous transactions. One is the purchase of securities by an investor (i.e., the County), the other is the commitment by the seller (i.e. a broker/dealer) to repurchase the securities at the same price, plus interest, at some mutually agreed future date.

REVERSE REPURCHASE AGREEMENT – The mirror image of Repurchase Agreements. In this instance the County Pool is the seller of securities to an investor (i.e. brokers).

SAFEKEEPING – A Custodian Bank's action to store and protect an investor's securities by segregating and identifying the securities.

SETTLEMENT DATE – The date on which cash and securities are exchanged and the transaction completed.

SHORT-TERM – The term used to describe a security when the maturity is one year or less.

SUPRANATIONAL SECURITIES – A supranational organization is formed by a group of countries through an international treaty with specific objectives such as promoting economic development. Supranational organizations also issue debt in the United States. The most commonly recognized supranational debt is issued by the International Bank for Reconstruction and Development (IBRD or World Bank).

TOTAL RETURN – The sum of all investment income plus changes in the capital value of a portfolio for a given period.

VOLUNTARY PARTICIPANTS – Local agencies that are not required to deposit their funds with the County Treasurer.

WEIGHTED AVERAGE MATURITY – The remaining average maturity of all securities held in a portfolio. See Dollar Weighted Average Maturity.

WHEN-ISSUED SECURITIES – A security traded before it is actually *issued*. All Treasury bills, notes and bonds trade in the when-issued market before they are auctioned by the Treasury Department. Agencies and GSE's also use this method of trading. It serves to establish the initial offering price of the securities.

YIELD – The percentage return that an investor derives from a financial asset.

YIELD TO MATURITY – The percentage rate of return paid if the security is held to its maturity date. The calculation is based on the coupon rate, length of time to maturity, and market price. It assumes that coupon interest paid over the life of the security is reinvested at the same rate.

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Jordan Kaufman
Treasurer and Tax Collector
Chase Nunneley
Assistant Treasurer and Tax Collector

**BROKER/DIRECT ISSUER RECEIPT FOR INVESTMENT POLICY AND
 CERTIFICATE OF COMPLIANCE**

TO:

Jordan Kaufman, Kern County Treasurer-Tax Collector
 Mary Bedard, Kern County Auditor-Controller-County Clerk
 1115 Truxtun Avenue
 Bakersfield, CA 93301

By signing below, I _____ of _____
 (Name) (Company)

hereby certify that:

- 1) I have reviewed the Investment Policy governing the Kern County Treasurer’s Pooled Cash Portfolio, and that I understand its content. I am not expected to enforce provisions concerning Average Maturity, Category Limits or Issuer Limits. I am expected to offer only those investments that qualify under the County’s credit requirement as directed in the Policy. The responsibility for overall portfolio structure and composition remains with the County.
- 2) I further certify that I have not made, nor do I intend to make, political contributions to any candidate for any Kern County elective office.

Signed:

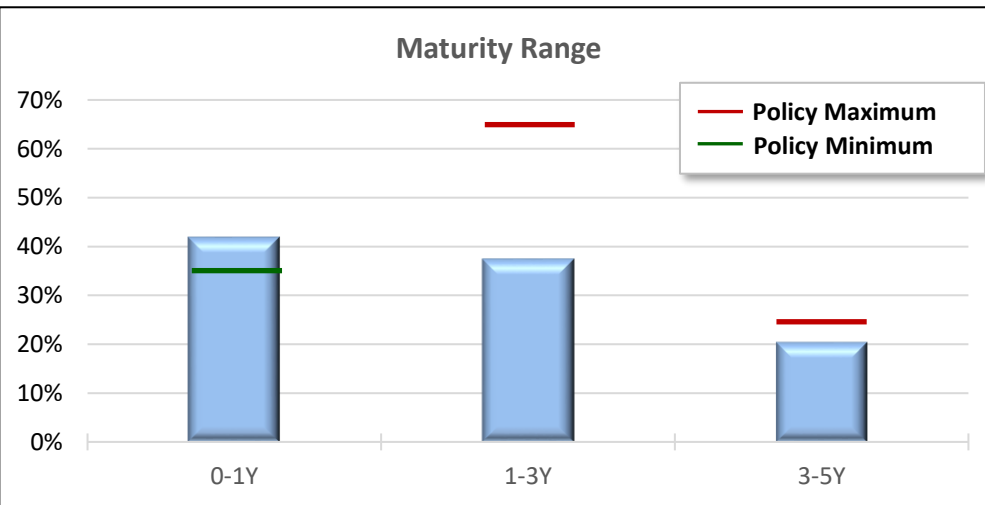
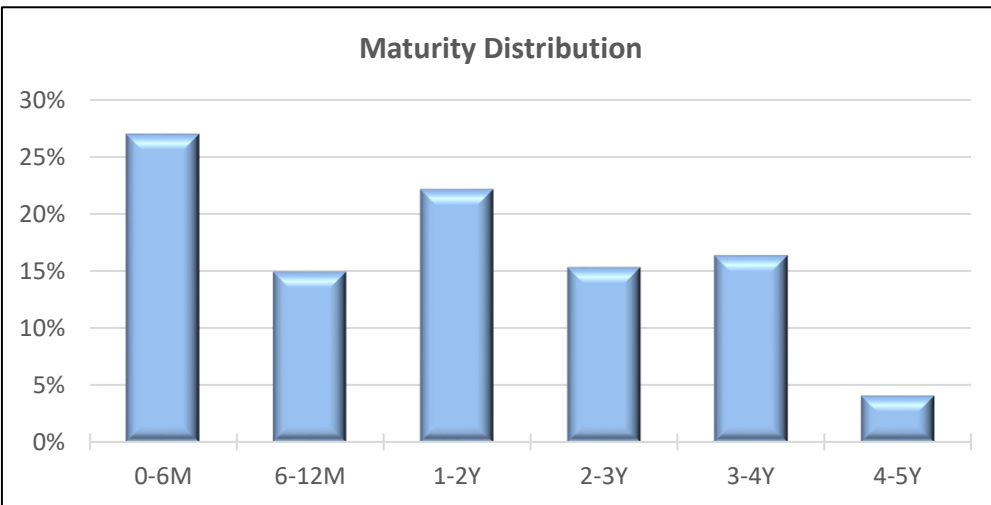
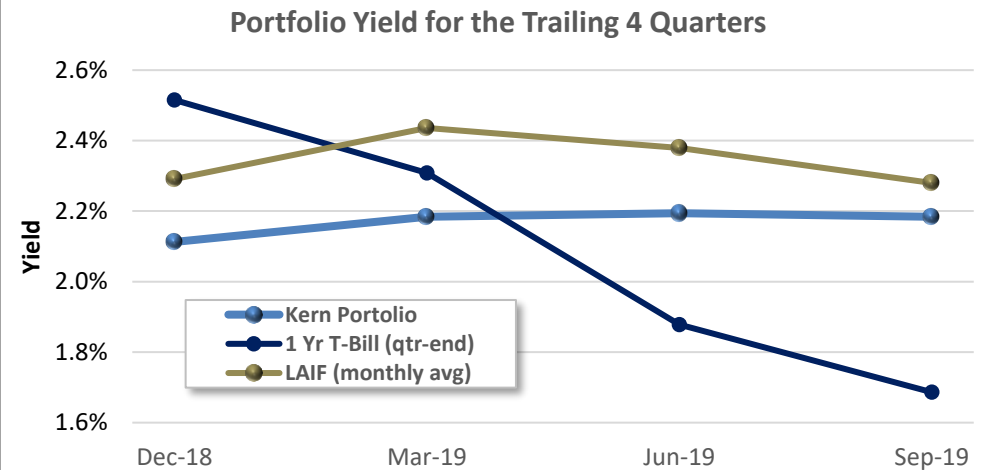
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Kern County Treasurer's Pooled Cash Portfolio Summary

9/30/2019

Total Market Value	\$ 3,092,842,328
Yield to Maturity at Cost	2.18%
Yield to Maturity at Market	1.91%
Effective Duration	1.52
Weighted Average Years to Maturity	1.67



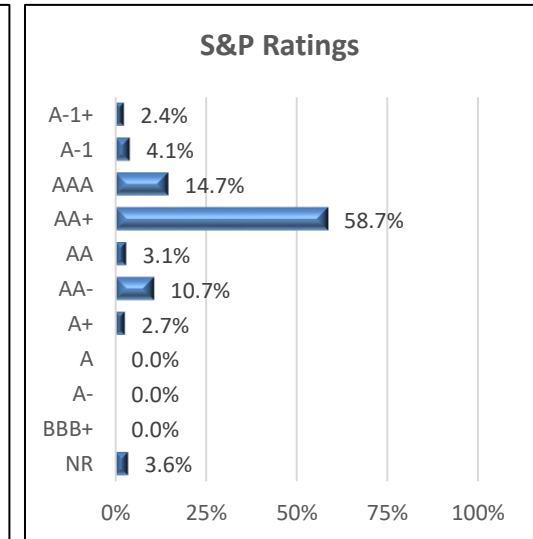
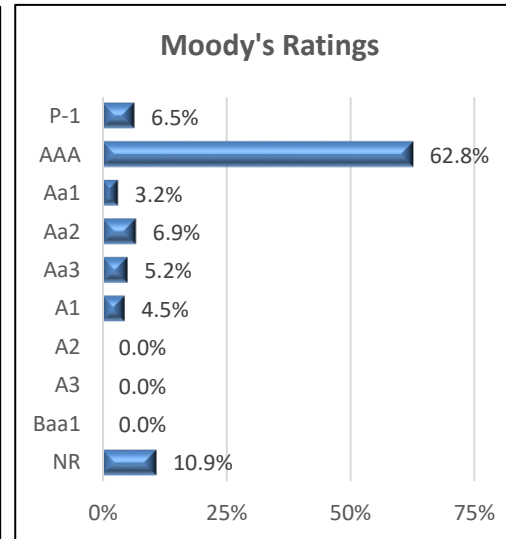
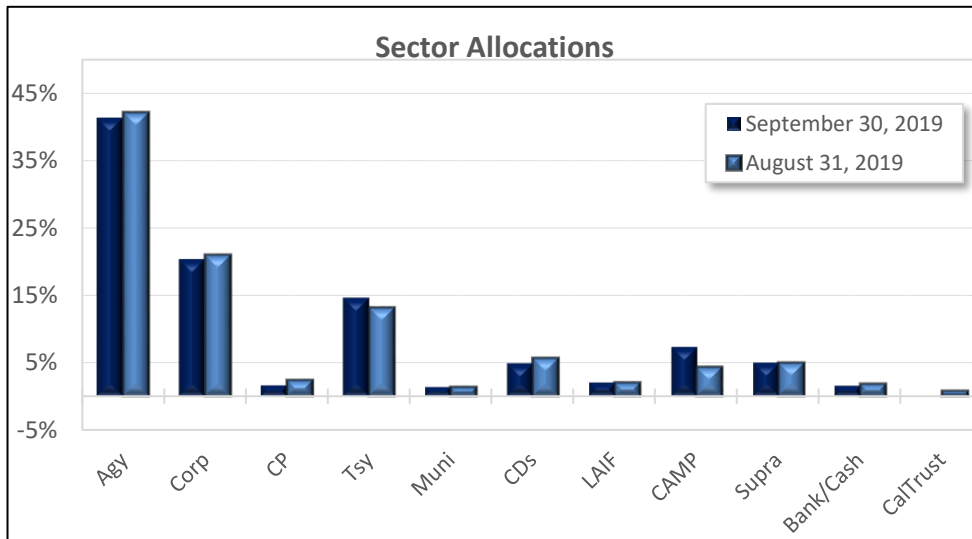
*The County Treasurer believes the Treasury Investment Pool contains sufficient cash flow from liquid and maturing securities, bank deposits, and incoming cash to meet the next six months of expected expenditures.



Kern County Treasurer's Pooled Cash Portfolio Summary

9/30/2019

Sector	Par Amount	Original Cost	Market Value	Original Yield	% of Total Assets	Policy Limit Rating	Days to Maturity
Local Agency Investment Fund	62,119,520	62,119,520	62,119,520	2.28%	2.01%	\$65 Million	1
California Asset Management Program	224,300,078	224,300,078	224,300,078	2.12%	7.25%	10%	1
CalTRUST	389,995	389,995	389,995	1.97%	0.01%	10%	1
U.S. Treasuries	451,000,000	446,536,719	452,159,230	2.05%	14.62%	100%	622
Federal Agencies	1,264,622,000	1,263,776,769	1,274,843,386	2.02%	41.22%	75%	643
Municipal Bonds	42,000,000	42,323,890	43,497,480	2.85%	1.41%	10%	1,107
Supranationals	151,175,000	152,583,188	153,877,682	1.98%	4.98%	10%	785
Negotiable CDs	150,000,000	150,000,000	150,154,371	2.44%	4.85%	30%	121
Commercial Paper	50,000,000	49,338,417	49,731,977	2.36%	1.61%	40%	95
Corporate Notes	623,755,000	622,184,775	633,463,288	2.55%	20.48%	30%	895
Total Securities	3,019,361,594	3,013,553,350	3,044,537,007	2.18%	98.44%		610
Total Cash	48,305,321	48,305,321	48,305,321		1.56%		
Total Assets	3,067,666,915	3,061,858,672	3,092,842,328		100.00%		



**Treasurer's Pooled Cash
Portfolio Management
Portfolio Details - Investments
September 30, 2019**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM 365	Maturity Date
Pooled Funds												
928989367	8940	JPM Short Term Inv Fund			107,781.74	107,781.74	107,781.74	0.001	Aaa	AAA	0.001	
539995217	419	Local Agency Investment Fund			62,011,738.71	62,011,738.71	62,011,738.71	2.280			2.280	
Subtotal and Average			62,119,170.45		62,119,520.45	62,119,520.45	62,119,520.45				2.276	
Negotiable CD's												
22535CDY4	15508	Credit Agricole NY		04/05/2019	25,000,000.00	25,041,545.75	25,000,000.00	2.580	P-1	A-1	2.616	01/22/2020
21684XBE5	15533	RABOBANK NED NY		06/26/2019	25,000,000.00	25,000,395.00	25,000,000.00	2.090	P-1	A-1	2.119	02/06/2020
78012UMR3	15499	Royal Bank of Canada NY		03/28/2019	25,000,000.00	25,048,536.75	25,000,000.00	2.520	P-1	A-1	2.555	02/06/2020
89114M3Q8	15547	Toronto Dominion Bank NY		07/30/2019	25,000,000.00	25,030,759.75	25,000,000.00	2.100	P-1	A-1	2.129	07/07/2020
62478TY60	15492	MUFG UNION BK NA		03/27/2019	50,000,000.00	50,033,134.00	50,000,000.00	2.580	P-1	A-1	2.616	11/08/2019
Subtotal and Average			171,666,666.67		150,000,000.00	150,154,371.25	150,000,000.00				2.442	
Commercial Paper - Discount												
22533TA22	15525	Crdit Agric		05/24/2019	25,000,000.00	24,867,747.25	24,628,333.33	2.400	P-1	A-1	2.499	01/02/2020
89233GA63	15531	Toyota Motors Credit Corp		06/24/2019	25,000,000.00	24,864,229.25	24,710,083.33	2.130	P-1	A-1	2.214	01/06/2020
Subtotal and Average			67,551,115.27		50,000,000.00	49,731,976.50	49,338,416.66				2.356	
Federal Agency Issues - Coupon												
3133EEHF0	14047	Federal Farm Credit Bank		01/06/2015	10,000,000.00	9,999,800.00	10,076,400.00	1.800	Aaa	AA	1.635	11/05/2019
3133EFXV4	14630	Federal Farm Credit Bank		02/04/2016	10,000,000.00	9,970,000.00	10,037,800.00	1.450	Aaa	AA	1.363	08/04/2020
3133EGXF7	14930	Federal Farm Credit Bank		10/04/2016	10,000,000.00	9,999,300.00	10,000,000.00	0.960	Aaa	AA	0.960	10/04/2019
3133EHWM1	15241	Federal Farm Credit Bank		09/01/2017	10,000,000.00	9,988,400.00	10,005,800.00	1.700	Aaa	AA	1.685	09/01/2021
3133EHVS9	15255	Federal Farm Credit Bank		09/29/2017	8,065,000.00	8,115,648.20	8,019,594.05	1.840	Aaa	AA	1.961	08/23/2022
3133EHTS2	15259	Federal Farm Credit Bank		09/29/2017	10,000,000.00	10,076,500.00	9,980,100.00	1.900	Aaa	AA	1.943	08/03/2022
3133EHF57	15263	Federal Farm Credit Bank		10/13/2017	10,000,000.00	9,989,700.00	10,000,000.00	1.680	Aaa	AA	1.680	10/13/2020
3133EHW58	15278	Federal Farm Credit Bank		11/28/2017	10,000,000.00	10,006,200.00	9,997,970.00	1.900	Aaa	AA	1.907	11/27/2020
3133EHU84	15316	Federal Farm Credit Bank		01/03/2018	23,925,000.00	24,070,464.00	23,742,930.75	1.980	Aaa	AA	2.185	11/22/2021
3133EH6L2	15321	Federal Farm Credit Bank		01/10/2018	20,000,000.00	20,006,800.00	19,979,200.00	1.950	Aaa	AA	2.003	01/10/2020
3133EJAW9	15336	Federal Farm Credit Bank		01/29/2018	10,000,000.00	10,055,300.00	10,000,000.00	2.250	Aaa	AA	2.250	01/29/2021
3133EJHL6	15348	Federal Farm Credit Bank		03/27/2018	10,000,000.00	10,027,200.00	9,992,800.00	2.375	Aaa	AA	2.412	03/27/2020
3133EJK24	15429	Federal Farm Credit Bank		10/19/2018	10,000,000.00	10,251,200.00	9,994,700.00	3.000	Aaa	AA	3.019	10/19/2021
3133EJK24	15430	Federal Farm Credit Bank		10/19/2018	10,000,000.00	10,251,200.00	9,994,700.00	3.000	Aaa	AA	3.019	10/19/2021
3133EJZU6	15434	Federal Farm Credit Bank		10/31/2018	15,000,000.00	15,316,350.00	14,954,850.00	2.850	Aaa	AA	2.959	09/20/2021
3133EJV63	15439	Federal Farm Credit Bank		11/28/2018	11,311,000.00	11,925,526.63	11,324,573.20	3.050	Aaa	AA	3.023	08/23/2023
3133EJVV7	15454	Federal Farm Credit Bank		12/12/2018	10,589,000.00	11,101,189.93	10,622,355.35	2.900	Aaa	AA	2.827	08/14/2023

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**Treasurer's Pooled Cash
Portfolio Management
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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM 365	Maturity Date
Federal Agency Issues - Coupon												
3133EJP60	15463	Federal Farm Credit Bank		12/20/2018	15,000,000.00	15,723,900.00	15,140,100.00	3.000	Aaa	AA	2.771	05/02/2023
3133EJQX0	15466	Federal Farm Credit Bank		01/04/2019	15,000,000.00	15,686,550.00	15,249,900.00	2.900	Aaa	AA	2.498	05/30/2023
3133EJ4Q9	15477	Federal Farm Credit Bank		01/11/2019	10,000,000.00	10,090,200.00	9,996,700.00	2.550	Aaa	AA	2.567	01/11/2021
3133EJQX0	15478	Federal Farm Credit Bank		01/15/2019	10,000,000.00	10,457,700.00	10,106,600.00	2.900	Aaa	AA	2.640	05/30/2023
3133EJ5G0	15479	Federal Farm Credit Bank		01/16/2019	20,000,000.00	20,893,600.00	20,006,600.00	2.700	Aaa	AA	2.693	01/16/2024
3133EJ7C7	15485	Federal Farm Credit Bank		02/06/2019	10,000,000.00	10,451,100.00	9,994,500.00	2.700	Aaa	AA	2.712	02/06/2024
3133EKRD0	15532	Federal Farm Credit Bank		06/25/2019	10,000,000.00	10,062,300.00	10,016,460.00	1.875	Aaa	AA	1.818	06/14/2022
3133EKS7	15535	Federal Farm Credit Bank		06/28/2019	5,500,000.00	5,532,285.00	5,481,960.00	1.770	Aaa	AA	1.856	06/26/2023
3133EKUA2	15537	Federal Farm Credit Bank		07/01/2019	10,000,000.00	10,076,600.00	10,007,200.00	1.850	Aaa	AA	1.829	02/01/2023
3133EKT8	15538	Federal Farm Credit Bank		07/01/2019	12,650,000.00	12,798,258.00	12,650,253.00	1.900	Aaa	AA	1.900	07/01/2024
3130A0JR2	13993	Federal Home Loan Bank		12/15/2014	10,000,000.00	10,009,000.00	10,302,900.00	2.375	Aaa	AA	1.739	12/13/2019
313383HU8	14934	Federal Home Loan Bank		09/30/2016	8,965,000.00	8,958,634.85	9,191,814.50	1.750	Aaa	AA	1.051	06/12/2020
3130A9TJ0	14960	Federal Home Loan Bank		11/15/2016	10,000,000.00	9,959,200.00	10,000,000.00	1.200	Aaa	AA	1.200	05/15/2020
3130A9ZV6	14971	Federal Home Loan Bank		11/30/2016	15,000,000.00	14,964,750.00	15,000,000.00	1.200	Aaa	AA	1.200	02/28/2020
3130AAGX0	15067	Federal Home Loan Bank		01/10/2017	15,000,000.00	14,998,650.00	15,000,000.00	1.830	Aaa	AA	1.830	07/10/2020
313378J77	15107	Federal Home Loan Bank		03/30/2017	15,000,000.00	15,000,900.00	15,122,100.00	1.875	Aaa	AA	1.575	03/13/2020
3130AB3E4	15114	Federal Home Loan Bank		04/05/2017	15,000,000.00	14,982,300.00	15,053,850.00	1.750	Aaa	AA	1.644	10/05/2020
3130AB3E4	15129	Federal Home Loan Bank		04/13/2017	10,000,000.00	9,988,200.00	10,046,500.00	1.750	Aaa	AA	1.612	10/05/2020
3130AB6A9	15141	Federal Home Loan Bank		04/20/2017	20,000,000.00	19,971,200.00	20,092,000.00	1.650	Aaa	AA	1.505	07/20/2020
313379RB7	15193	Federal Home Loan Bank		06/22/2017	10,000,000.00	10,022,200.00	10,059,200.00	1.875	Aaa	AA	1.720	06/11/2021
313383HU8	15203	Federal Home Loan Bank		06/29/2017	15,000,000.00	14,989,350.00	15,075,450.00	1.750	Aaa	AA	1.575	06/12/2020
3130A8QS5	15243	Federal Home Loan Bank		09/14/2017	10,000,000.00	9,903,100.00	9,817,000.00	1.125	Aaa	AA	1.619	07/14/2021
313383HU8	15291	Federal Home Loan Bank		12/06/2017	10,000,000.00	9,992,900.00	9,947,300.00	1.750	Aaa	AA	1.966	06/12/2020
3130A1W95	15293	Federal Home Loan Bank		12/07/2017	10,000,000.00	10,096,400.00	10,068,400.00	2.250	Aaa	AA	2.901	06/11/2021
313383MB4	15298	Federal Home Loan Bank		12/08/2017	5,000,000.00	5,001,350.00	4,992,300.00	1.875	Aaa	AA	1.938	06/12/2020
3130ADC26	15335	Federal Home Loan Bank		01/29/2018	10,000,000.00	9,995,000.00	10,000,000.00	2.200	Aaa	AA	2.200	01/29/2021
3130ADUJ9	15345	Federal Home Loan Bank		03/16/2018	10,000,000.00	10,025,200.00	9,998,200.00	2.375	Aaa	AA	2.214	03/30/2020
3130A0XD7	15346	Federal Home Loan Bank		03/20/2018	10,000,000.00	10,085,200.00	9,957,800.00	2.375	Aaa	AA	2.523	03/12/2021
3130ADXU1	15369	Federal Home Loan Bank		04/09/2018	20,000,000.00	20,025,000.00	19,989,400.00	2.320	Aaa	AA	2.352	01/09/2020
3130ADRG9	15376	Federal Home Loan Bank		04/12/2018	15,000,000.00	15,526,500.00	15,030,300.00	2.750	Aaa	AA	2.705	03/10/2023
3130AEBM1	15396	Federal Home Loan Bank		06/27/2018	20,000,000.00	20,583,000.00	19,969,600.00	2.750	Aaa	AA	2.790	06/10/2022
3130AEVF4	15413	Federal Home Loan Bank		08/30/2018	7,000,000.00	7,073,080.00	7,000,000.00	3.050	Aaa	AA	3.050	08/28/2023
3130AFBS5	15435	Federal Home Loan Bank		11/16/2018	15,000,000.00	15,221,100.00	15,000,000.00	3.250	Aaa	AA	3.250	11/16/2022
313383QR5	15469	Federal Home Loan Bank		01/08/2019	20,000,000.00	21,121,000.00	20,502,000.00	3.250	Aaa	AA	2.644	06/09/2023
3130AFWX1	15496	Federal Home Loan Bank		03/28/2019	10,000,000.00	10,322,900.00	10,132,300.00	2.550	Aaa	AA	2.248	05/30/2023
313370E38	15497	Federal Home Loan Bank		03/28/2019	13,875,000.00	14,047,743.75	14,047,743.75	3.375	Aaa	AA	2.320	06/12/2020

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**Treasurer's Pooled Cash
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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM 365	Maturity Date
Federal Agency Issues - Coupon												
3130AGHA6	15526	Federal Home Loan Bank		06/03/2019	10,000,000.00	10,099,300.00	10,000,000.00	2.430	Aaa	AA	2.430	06/03/2024
313379Q69	15553	Federal Home Loan Bank		09/06/2019	10,000,000.00	10,126,700.00	10,159,600.00	2.125	Aaa	AA	1.532	06/10/2022
3134G8W21	14710	Federal Home Loan Mort Corp		04/08/2016	10,000,000.00	9,986,800.00	10,000,000.00	1.375	Aaa	AA	1.375	12/30/2019
3134G8YF0	14719	Federal Home Loan Mort Corp		04/28/2016	10,000,000.00	9,993,900.00	10,000,000.00	1.200	Aaa	AA	1.200	10/28/2019
3134G8YF0	14720	Federal Home Loan Mort Corp		04/28/2016	10,000,000.00	9,993,900.00	10,000,000.00	1.200	Aaa	AA	1.200	10/28/2019
3134G9BG1	14730	Federal Home Loan Mort Corp		04/18/2016	10,000,000.00	9,995,900.00	10,000,000.00	1.225	Aaa	AA	1.225	10/18/2019
3134G9DC8	14750	Federal Home Loan Mort Corp		05/10/2016	15,000,000.00	14,968,500.00	15,000,000.00	1.320	Aaa	AA	1.320	02/10/2020
3134G9PR2	14792	Federal Home Loan Mort Corp		05/26/2016	15,000,000.00	14,958,150.00	15,000,000.00	1.450	Aaa	AA	1.450	05/26/2020
3134GABZ6	14899	Federal Home Loan Mort Corp		08/25/2016	10,000,000.00	9,973,800.00	10,000,000.00	1.250	Aaa	AA	1.250	02/25/2020
3134G43Q9	14947	Federal Home Loan Mort Corp		10/21/2016	6,737,000.00	6,723,593.37	6,830,374.82	1.550	Aaa	AA	1.150	05/08/2020
3134GAVB7	14959	Federal Home Loan Mort Corp		11/10/2016	15,000,000.00	14,961,000.00	15,000,000.00	1.180	Aaa	AA	1.180	02/10/2020
3137EADR7	15018	Federal Home Loan Mort Corp		12/13/2016	10,000,000.00	9,970,600.00	9,938,800.00	1.375	Aaa	AA	1.561	05/01/2020
3134GBEK4	15099	Federal Home Loan Mort Corp		03/29/2017	20,000,000.00	20,025,200.00	20,000,000.00	1.850	Aaa	AA	1.850	03/29/2021
3137EADR7	15117	Federal Home Loan Mort Corp		04/05/2017	15,000,000.00	14,955,900.00	14,925,450.00	1.375	Aaa	AA	1.541	05/01/2020
3134GBHQ8	15153	Federal Home Loan Mort Corp		04/27/2017	10,000,000.00	9,987,100.00	10,000,000.00	1.700	Aaa	AA	1.434	07/27/2020
3134GBJM5	15158	Federal Home Loan Mort Corp		05/03/2017	20,000,000.00	20,119,200.00	20,000,000.00	1.910	Aaa	AA	1.910	05/03/2022
3134G9S24	15198	Federal Home Loan Mort Corp		06/27/2017	25,000,000.00	25,009,500.00	25,042,000.00	1.750	Aaa	AA	1.707	07/26/2021
3134GBE81	15367	Federal Home Loan Mort Corp		04/05/2018	16,500,000.00	16,499,835.00	16,147,725.00	1.930	Aaa	AA	2.591	08/27/2021
3134GSSP1	15407	Federal Home Loan Mort Corp		07/30/2018	10,000,000.00	10,101,500.00	10,000,000.00	3.000	Aaa	AA	3.000	01/30/2023
3134GSVD4	15412	Federal Home Loan Mort Corp		08/29/2018	5,000,000.00	5,053,950.00	4,996,250.00	3.000	Aaa	AA	3.018	02/28/2023
3134GSZH1	15425	Federal Home Loan Mort Corp		10/18/2018	15,000,000.00	15,008,250.00	15,000,000.00	3.030	Aaa	AA	3.030	10/18/2021
3134GTGS6	15521	Federal Home Loan Mort Corp		04/16/2019	20,000,000.00	20,156,200.00	20,000,000.00	2.550	Aaa	AA	2.550	10/16/2023
3134GTEE9	15523	Federal Home Loan Mort Corp		04/24/2019	25,000,000.00	25,010,250.00	25,000,000.00	2.760	Aaa	AA	2.760	10/24/2022
3135G0ZY2	14583	Federal National Mortgage Assn		12/24/2015	10,000,000.00	9,997,900.00	10,044,600.00	1.750	Aaa	AA	1.632	11/26/2019
3135G0D75	14924	Federal National Mortgage Assn		09/27/2016	10,000,000.00	9,972,100.00	10,165,800.00	1.500	Aaa	AA	1.046	06/22/2020
3135G0D75	14946	Federal National Mortgage Assn		10/21/2016	5,000,000.00	4,986,050.00	5,067,900.00	1.500	Aaa	AA	1.121	06/22/2020
3135G0D75	14954	Federal National Mortgage Assn		10/27/2016	10,000,000.00	9,972,100.00	10,125,500.00	1.500	Aaa	AA	1.148	06/22/2020
3135G0D75	14974	Federal National Mortgage Assn		11/10/2016	10,000,000.00	9,972,100.00	10,093,400.00	1.500	Aaa	AA	1.235	06/22/2020
3136G4GN7	14977	Federal National Mortgage Assn		11/22/2016	9,500,000.00	9,458,010.00	9,500,000.00	1.250	Aaa	AA	1.250	05/22/2020
3136G4GS6	14978	Federal National Mortgage Assn		11/30/2016	10,000,000.00	9,953,600.00	10,000,000.00	1.430	Aaa	AA	1.430	11/30/2020
3136G4HN6	14985	Federal National Mortgage Assn		11/30/2016	20,000,000.00	19,967,000.00	20,000,000.00	1.800	Aaa	AA	1.800	05/26/2021
3136G4HP1	14986	Federal National Mortgage Assn		12/01/2016	15,000,000.00	14,936,250.00	15,000,000.00	1.750	Aaa	AA	1.750	06/01/2021
3136G4GU1	15000	Federal National Mortgage Assn		12/02/2016	10,000,000.00	9,990,700.00	9,967,000.00	1.400	Aaa	AA	1.514	11/25/2019
3135G0D75	15008	Federal National Mortgage Assn		12/08/2016	10,000,000.00	9,972,100.00	9,979,400.00	1.500	Aaa	AA	1.560	06/22/2020
3135G0N82	15011	Federal National Mortgage Assn		12/09/2016	10,000,000.00	9,925,100.00	9,727,200.00	1.250	Aaa	AA	1.862	08/17/2021
3136G4JN4	15047	Federal National Mortgage Assn		12/29/2016	10,000,000.00	10,001,200.00	10,000,000.00	1.700	Aaa	AA	1.699	06/29/2020

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**Treasurer's Pooled Cash
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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM 365	Maturity Date
Federal Agency Issues - Coupon												
3136G4JP9	15052	Federal National Mortgage Assn		12/29/2016	10,000,000.00	9,970,700.00	10,000,000.00	1.910	Aaa	AA	1.910	06/29/2021
3135G0S38	15191	Federal National Mortgage Assn		06/22/2017	15,000,000.00	15,119,052.00	15,117,000.00	2.000	Aaa	AA	1.820	01/05/2022
3135G0T60	15277	Federal National Mortgage Assn		11/21/2017	10,000,000.00	9,972,800.00	9,903,500.00	1.500	Aaa	AA	1.869	07/30/2020
3135G0T78	15304	Federal National Mortgage Assn		12/12/2017	10,000,000.00	10,101,600.00	9,901,300.00	2.000	Aaa	AA	2.217	10/05/2022
3135G0U27	15377	Federal National Mortgage Assn		04/13/2018	20,000,000.00	20,238,200.00	19,970,200.00	2.500	Aaa	AA	2.552	04/13/2021
3135G0U43	15440	Federal National Mortgage Assn		11/28/2018	10,000,000.00	10,479,900.00	9,942,300.00	2.875	Aaa	AA	3.005	09/12/2023
3135G0S38	15509	Federal National Mortgage Assn		04/08/2019	10,000,000.00	10,079,368.00	9,913,500.00	2.000	Aaa	AA	2.327	01/05/2022
3135G0V59	15517	Federal National Mortgage Assn		04/12/2019	10,000,000.00	10,159,800.00	9,967,200.00	2.250	Aaa	AA	2.364	04/12/2022
3135G0V59	15518	Federal National Mortgage Assn		04/12/2019	10,000,000.00	10,159,800.00	9,967,200.00	2.250	Aaa	AA	2.364	04/12/2022
3135G0W33	15554	Federal National Mortgage Assn		09/06/2019	5,000,000.00	4,964,550.00	4,982,600.00	1.375	Aaa	AA	1.494	09/06/2022
3135G0W33	15555	Federal National Mortgage Assn		09/06/2019	5,000,000.00	4,964,550.00	4,982,600.00	1.375	Aaa	AA	1.494	09/06/2022
880591EN8	15457	Tennessee Valley Authority		12/13/2018	15,000,000.00	15,075,900.00	14,471,550.00	1.875	Aaa	AA	2.893	08/15/2022
Subtotal and Average			1,250,312,104.42		1,229,617,000.00	1,239,856,588.73	1,230,600,154.42				2.036	
Federal Agency Issues - Discount												
313586RC5	14502	Federal National Mortgage Assn		11/05/2015	10,000,000.00	9,994,800.00	9,258,900.00		Aaa	AA	1.998	10/09/2019
313586RC5	14791	Federal National Mortgage Assn		05/19/2016	15,005,000.00	14,997,197.40	14,297,514.25	1.371	Aaa	AA	1.450	10/09/2019
313586RC5	14879	Federal National Mortgage Assn		07/14/2016	10,000,000.00	9,994,800.00	9,620,200.00	1.157	Aaa	AA	1.217	10/09/2019
Subtotal and Average			33,176,614.25		35,005,000.00	34,986,797.40	33,176,614.25				1.535	
Medium Term Notes 30/360												
037833AX8	14134	Apple		03/04/2015	10,000,000.00	9,985,300.00	9,905,900.00	1.550	Aa	AA	1.750	02/07/2020
037833AR1	14956	Apple		10/31/2016	10,000,000.00	10,156,400.00	10,489,200.00	2.850	Aa	AA	1.719	05/06/2021
037833AR1	15028	Apple		12/16/2016	10,000,000.00	10,156,400.00	10,253,500.00	2.850	Aa	AA	2.240	05/06/2021
037833BD1	15197	Apple		06/27/2017	10,000,000.00	10,005,200.00	10,070,200.00	2.000	Aa	AA	1.747	05/06/2020
037833BS8	15288	Apple		12/05/2017	10,000,000.00	10,045,500.00	10,021,000.00	2.250	Aa	AA	2.182	02/23/2021
037833DE7	15356	Apple		04/03/2018	10,000,000.00	10,162,600.00	9,724,200.00	2.400	Aa	AA	3.023	01/13/2023
037833DE7	15399	Apple		06/28/2018	14,000,000.00	14,227,640.00	13,519,520.00	2.400	Aa	AA	3.218	01/13/2023
037833CQ1	15498	Apple		03/29/2019	15,000,000.00	15,164,155.50	14,956,350.00	2.300	Aa	AA	2.397	05/11/2022
037833AR1	15551	Apple		08/28/2019	10,000,000.00	10,156,400.00	10,176,700.00	2.850	Aa	AA	1.782	05/06/2021
084670BJ6	15402	Berkshire Hathaway		06/29/2018	13,094,000.00	13,565,907.76	13,006,663.02	3.000	Aa	AA	3.156	02/11/2023
084670BJ6	15446	Berkshire Hathaway		12/04/2018	8,460,000.00	8,764,898.40	8,324,809.20	3.000	Aa	AA	3.412	02/11/2023
19416QEL0	15539	Colgate-Palmolive		07/08/2019	8,340,000.00	8,426,906.97	8,439,996.60	2.250	Aa	AA	1.879	11/15/2022
166764AY6	15111	Chevron Corp		04/03/2017	10,277,000.00	10,332,290.26	10,381,517.09	2.419	Aa	AA	2.125	11/17/2020
166764BK5	15484	Chevron Corp		02/01/2019	10,000,000.00	10,209,900.00	9,839,500.00	2.566	Aa	AA	2.966	05/16/2023

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Medium Term Notes 30/360												
166764BK5	15501	Chevron Corp		04/01/2019	10,000,000.00	10,209,900.00	10,042,400.00	2.566	Aa	AA	2.457	05/16/2023
166764AH3	15524	Chevron Corp		05/23/2019	10,000,000.00	10,425,600.00	10,216,000.00	3.191	Aa	AA	2.630	06/24/2023
166764AH3	15528	Chevron Corp		06/21/2019	5,000,000.00	5,212,800.00	5,179,000.00	3.191	Aa	AA	2.252	06/24/2023
166764BK5	15552	Chevron Corp		08/29/2019	5,000,000.00	5,104,950.00	5,145,500.00	2.566	Aa	AA	1.753	05/16/2023
4042Q0WY1	15519	HSBC Bank USA		04/16/2019	10,000,000.00	9,902,936.00	10,000,000.00	2.800	Aa	AA	2.801	07/17/2023
4042Q0WX3	15520	HSBC Bank USA		04/16/2019	10,000,000.00	9,903,679.00	10,000,000.00	2.625	Aa	AA	2.626	07/18/2022
478160CD4	15352	Johnson & Johnson		03/28/2018	18,135,000.00	18,347,904.90	17,732,765.70	2.250	Aaa	AAA	2.850	03/03/2022
191216BT6	14494	Coca Cola		11/03/2015	10,000,000.00	10,004,500.00	9,955,100.00	1.875	A	A	1.970	10/27/2020
191216BY5	15144	Coca Cola		04/24/2017	16,063,000.00	15,986,700.75	15,823,821.93	1.550	A	A	1.908	09/01/2021
191216CF5	15200	Coca Cola		06/29/2017	10,000,000.00	10,080,759.00	10,051,900.00	2.200	A	A	2.088	05/25/2022
191216BY5	15379	Coca Cola		04/17/2018	7,607,000.00	7,570,866.75	7,299,905.41	1.550	A	A	2.813	09/01/2021
594918BV5	15124	Microsoft Corp		04/11/2017	10,000,000.00	9,995,200.00	10,051,500.00	1.850	Aaa	AAA	1.662	02/06/2020
594918BP8	15426	Microsoft Corp		10/18/2018	14,610,000.00	14,548,784.10	14,013,327.60	1.550	Aaa	AAA	3.080	08/08/2021
594918BP8	15427	Microsoft Corp		10/18/2018	1,718,000.00	1,710,801.58	1,647,390.20	1.550	Aaa	AAA	3.090	08/08/2021
594918BP8	15428	Microsoft Corp		10/18/2018	5,000,000.00	4,979,050.00	4,795,800.00	1.550	Aaa	AAA	3.080	08/08/2021
594918BP8	15451	Microsoft Corp		12/10/2018	7,778,000.00	7,745,410.18	7,494,647.46	1.550	Aaa	AAA	2.984	08/08/2021
594918BQ6	15483	Microsoft Corp		01/29/2019	11,683,000.00	11,766,299.79	11,296,526.36	2.000	Aaa	AAA	2.783	08/08/2023
594918BQ6	15527	Microsoft Corp		06/21/2019	5,000,000.00	5,035,650.00	4,970,700.00	2.000	Aaa	AAA	2.149	08/08/2023
66989HAM0	15187	Novartis		06/21/2017	10,000,000.00	10,130,780.00	10,125,400.00	2.400	Aa	AA	2.129	05/17/2022
66989HAM0	15201	Novartis		06/30/2017	16,980,000.00	17,202,064.44	17,112,444.00	2.400	Aa	AA	2.230	05/17/2022
742718EN5	15385	Proctor & Gamble		04/23/2018	10,000,000.00	9,995,000.00	9,743,971.94	1.850	Aa	AA	2.815	02/02/2021
742718EQ8	15401	Proctor & Gamble		06/29/2018	9,127,000.00	9,118,968.24	8,785,193.85	1.700	Aa	AA	2.882	11/03/2021
742718DY2	15406	Proctor & Gamble		07/18/2018	20,000,000.00	20,288,800.00	19,528,000.00	2.300	Aa	AA	3.006	02/06/2022
742718EU9	15408	Proctor & Gamble		08/16/2018	4,997,000.00	5,043,682.97	4,842,192.94	2.150	Aa	AA	2.980	08/11/2022
742718EU9	15410	Proctor & Gamble		08/23/2018	5,686,000.00	5,739,119.75	5,515,021.98	2.150	Aa	AA	2.959	08/11/2022
89233P4S2	15301	Toyota Motors Credit Corp		12/11/2017	10,196,000.00	10,493,009.48	10,789,101.32	4.250	Aa	AA	2.285	01/11/2021
89236TCF0	15338	Toyota Motors Credit Corp		02/05/2018	12,972,000.00	12,985,620.60	12,915,571.80	2.150	Aa	AA	2.363	03/12/2020
89236TCZ6	15341	Toyota Motors Credit Corp		03/06/2018	9,289,000.00	9,291,508.03	9,035,503.19	1.900	Aa	AA	2.829	04/08/2021
89236TDP7	15411	Toyota Motors Credit Corp		08/29/2018	10,000,000.00	10,157,445.00	9,834,800.00	2.600	Aa	AA	3.120	01/11/2022
89233P5T9	15414	Toyota Motors Credit Corp		09/07/2018	5,729,000.00	5,908,890.60	5,757,759.58	3.300	Aa	AA	3.140	01/12/2022
89236TDP7	15542	Toyota Motors Credit Corp		07/10/2019	5,424,000.00	5,509,398.17	5,472,599.04	2.600	Aa	AA	2.230	01/11/2022
89236TFQ3	15557	Toyota Motors Credit Corp		09/25/2019	4,055,000.00	4,115,906.10	4,119,474.50	3.050	Aa	AA	1.793	01/08/2021
89236TFQ3	15558	Toyota Motors Credit Corp		09/25/2019	2,785,000.00	2,826,830.70	2,828,167.50	3.050	Aa	AA	1.824	01/08/2021
89236TDP7	15563	Toyota Motors Credit Corp		09/30/2019	10,000,000.00	10,157,445.00	10,152,800.00	2.600	Aa	AA	1.911	01/11/2022
90331HNB5	15131	US Bank		04/17/2017	10,000,000.00	10,000,700.00	10,062,600.00	2.000	A	AA	1.767	01/24/2020
90331HNB5	15192	US Bank		06/22/2017	10,750,000.00	10,750,752.50	10,800,095.00	2.000	A	AA	1.815	01/24/2020

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Medium Term Notes 30/360												
90331HNL3	15333	US Bank		01/25/2018	7,500,000.00	7,671,900.00	7,499,625.00	2.850	A	AA	2.851	01/23/2023
90331HNL3	15334	US Bank		01/25/2018	10,000,000.00	10,229,200.00	9,998,100.00	2.850	A	AA	2.854	01/23/2023
90331HNV1	15481	US Bank		01/22/2019	10,000,000.00	10,478,900.00	10,034,700.00	3.400	A	AA	3.316	07/24/2023
90331HNV1	15482	US Bank		01/22/2019	10,000,000.00	10,478,900.00	10,034,700.00	3.400	A	AA	3.316	07/24/2023
90331HPC1	15529	US Bank		06/21/2019	2,850,000.00	2,897,908.50	2,876,790.00	2.650	A	AA	2.315	05/23/2022
90331HPC1	15530	US Bank		06/21/2019	7,150,000.00	7,270,191.50	7,217,210.00	2.650	A	AA	2.315	05/23/2022
92826CAG7	15541	VISA INC		07/08/2019	10,000,000.00	10,102,400.00	10,043,000.00	2.150	Aa	AA	2.010	09/15/2022
94988J5R4	15443	Wells Fargo Bank		11/30/2018	15,000,000.00	15,749,550.00	14,788,050.00	3.550	Aa	A	3.880	08/14/2023
94988J5R4	15488	Wells Fargo Bank		03/18/2019	10,000,000.00	10,499,700.00	10,181,900.00	3.550	Aa	A	3.105	08/14/2023
94988J5R4	15502	Wells Fargo Bank		04/01/2019	10,000,000.00	10,499,700.00	10,292,700.00	3.550	Aa	A	2.832	08/14/2023
94988J5R4	15503	Wells Fargo Bank		04/01/2019	5,000,000.00	5,249,850.00	5,145,750.00	3.550	Aa	A	2.835	08/14/2023
931142EK5	15486	Wal-Mart Stores		03/05/2019	11,500,000.00	12,105,475.00	11,722,812.50	3.400	Aa	AA	2.917	06/26/2023
931142EK5	15487	Wal-Mart Stores		03/05/2019	10,000,000.00	10,526,500.00	10,197,700.00	3.400	Aa	AA	2.908	06/26/2023
30231GAV4	15342	Exxon-Mobil		03/07/2018	10,000,000.00	10,052,400.00	9,851,600.00	2.222	Aaa	AA	2.748	03/01/2021
30231GBB7	15550	Exxon-Mobil		08/23/2019	10,000,000.00	10,043,500.00	10,054,100.00	1.902	Aaa	AA	1.715	08/16/2022
Subtotal and Average			640,686,538.25		623,755,000.00	633,463,287.52	622,184,774.71				2.552	
StoneCastle - FICA												
104791305790	13942	StoneCastle			0.00	0.00	0.00	1.580			1.580	
Subtotal and Average			0.00		0.00	0.00	0.00				0.000	
CAMP												
CAMP	14800	CAMP			224,300,078.40	224,300,078.40	224,300,078.40	2.120		AAA	2.120	
Subtotal and Average			137,816,745.07		224,300,078.40	224,300,078.40	224,300,078.40				2.120	
CALTRUST												
CALTRUST	15476	CalTRUST			389,995.27	389,995.27	389,995.27	1.970		AAA	1.970	
Subtotal and Average			12,889,995.27		389,995.27	389,995.27	389,995.27				1.970	
Treasury Securities - Coupon												
912828XH8	15090	U S Treasury Note		03/13/2017	10,000,000.00	9,982,400.00	9,957,812.50	1.625	Aaa	AA	1.757	06/30/2020
912828T67	15204	U S Treasury Note		06/29/2017	20,000,000.00	19,837,600.00	19,587,500.00	1.250	Aaa	AA	1.746	10/31/2021
912828P87	15233	U S Treasury Note		08/25/2017	10,000,000.00	9,912,100.00	9,847,656.25	1.125	Aaa	AA	1.572	02/28/2021
912828D72	15247	U S Treasury Note		09/21/2017	20,000,000.00	20,123,400.00	20,234,375.00	2.000	Aaa	AA	1.691	08/31/2021
912828T67	15257	U S Treasury Note		09/29/2017	10,000,000.00	9,918,800.00	9,790,625.00	1.250	Aaa	AA	1.783	10/31/2021

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM 365	Maturity Date
Treasury Securities - Coupon												
912828R77	15261	U S Treasury Note		10/05/2017	10,000,000.00	9,943,800.00	9,866,406.25	1.375	Aaa	AA	1.754	05/31/2021
912828S76	15262	U S Treasury Note		10/05/2017	10,000,000.00	9,900,400.00	9,761,328.13	1.125	Aaa	AA	1.774	07/31/2021
912828XH8	15274	U S Treasury Note		11/07/2017	10,000,000.00	9,982,400.00	9,981,640.63	1.625	Aaa	AA	1.696	06/30/2020
912828N89	15284	U S Treasury Note		11/30/2017	10,000,000.00	9,947,700.00	9,833,593.75	1.375	Aaa	AA	1.919	01/31/2021
912828P87	15285	U S Treasury Note		11/30/2017	20,000,000.00	19,824,200.00	19,495,312.50	1.125	Aaa	AA	1.930	02/28/2021
912828L32	15287	U S Treasury Note		12/04/2017	20,000,000.00	19,914,000.00	19,752,343.75	1.375	Aaa	AA	1.841	08/31/2020
912828P87	15290	U S Treasury Note		12/06/2017	20,000,000.00	19,824,200.00	19,453,125.00	1.125	Aaa	AA	2.003	02/28/2021
912828L32	15307	U S Treasury Note		12/14/2017	20,000,000.00	19,914,000.00	19,739,062.50	1.375	Aaa	AA	1.871	08/31/2020
912828L32	15308	U S Treasury Note		12/19/2017	15,000,000.00	14,935,500.00	14,793,750.00	1.375	Aaa	AA	1.900	08/31/2020
912828T67	15311	U S Treasury Note		12/20/2017	10,000,000.00	9,918,800.00	9,683,203.13	1.250	Aaa	AA	2.108	10/31/2021
912828R77	15312	U S Treasury Note		12/20/2017	15,000,000.00	14,915,700.00	14,658,984.38	1.375	Aaa	AA	2.062	05/31/2021
912828R77	15318	U S Treasury Note		01/04/2018	10,000,000.00	9,943,800.00	9,767,968.75	1.375	Aaa	AA	2.085	05/31/2021
912828S76	15319	U S Treasury Note		01/04/2018	10,000,000.00	9,900,400.00	9,665,625.00	1.125	Aaa	AA	2.101	07/31/2021
912828XM7	15326	U S Treasury Note		01/22/2018	20,000,000.00	19,961,800.00	19,752,343.75	1.625	Aaa	AA	2.131	07/31/2020
912828XR6	15339	U S Treasury Note		02/02/2018	10,000,000.00	10,037,500.00	9,693,750.00	1.750	Aaa	AA	2.501	05/31/2022
912828F21	15371	U S Treasury Note		04/10/2018	11,000,000.00	11,100,980.00	10,862,500.00	2.125	Aaa	AA	2.503	09/30/2021
912828WY2	15372	U S Treasury Note		04/10/2018	10,000,000.00	10,101,200.00	9,926,562.50	2.250	Aaa	AA	2.482	07/31/2021
912828K58	15383	U S Treasury Note		04/19/2018	20,000,000.00	19,941,400.00	19,575,000.00	1.375	Aaa	AA	2.454	04/30/2020
9128284S6	15393	U S Treasury Note		06/15/2018	10,000,000.00	10,415,600.00	9,986,718.75	2.750	Aaa	AA	2.779	05/31/2023
912828X96	15409	U S Treasury Note		08/22/2018	5,000,000.00	4,988,650.00	4,908,398.44	1.500	Aaa	AA	2.588	05/15/2020
912828NT3	15452	U S Treasury Note		12/10/2018	10,000,000.00	10,065,600.00	9,977,734.38	2.625	Aaa	AA	2.760	08/15/2020
912828Y46	15455	U S Treasury Note		12/12/2018	10,000,000.00	10,062,100.00	9,975,781.25	2.625	Aaa	AA	2.776	07/31/2020
912828U57	15491	U S Treasury Note		03/26/2019	10,000,000.00	10,220,300.00	9,955,468.75	2.125	Aaa	AA	2.225	11/30/2023
912828XG0	15495	U S Treasury Note		03/28/2019	10,000,000.00	10,144,900.00	9,994,140.63	2.125	Aaa	AA	2.143	06/30/2022
912828Y20	15505	U S Treasury Note		04/03/2019	10,000,000.00	10,162,500.00	10,071,875.00	2.625	Aaa	AA	2.299	07/15/2021
912828X96	15510	U S Treasury Note		04/08/2019	10,000,000.00	9,977,300.00	9,901,562.50	1.500	Aaa	AA	2.410	05/15/2020
9128286C9	15522	U S Treasury Note		04/16/2019	15,000,000.00	15,303,000.00	15,049,804.69	2.500	Aaa	AA	2.378	02/15/2022
9128287C8	15556	U S Treasury Note		09/25/2019	10,000,000.00	10,039,500.00	10,042,187.50	1.750	Aaa	AA	1.595	07/15/2022
912828J8	15561	U S Treasury Note		09/26/2019	10,000,000.00	9,971,900.00	9,973,437.50	1.500	Aaa	AA	1.834	07/15/2020
9128285K2	15564	U S Treasury Note		09/30/2019	10,000,000.00	10,512,900.00	10,509,765.63	2.875	Aaa	AA	1.581	10/31/2023
9128285K2	15565	U S Treasury Note		09/30/2019	10,000,000.00	10,512,900.00	10,509,375.00	2.875	Aaa	AA	1.582	10/31/2023
Subtotal and Average			409,873,268.26		451,000,000.00	452,159,230.00	446,536,718.79				2.048	

Municipal Bonds

13063DDF2	15323	California State Controller		01/08/2018	10,000,000.00	10,185,200.00	10,004,600.00	2.500	Aa	AA	2.489	10/01/2022
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Portfolio KERN
CP
PM (PRF_PM2) 7.3.0

**Treasurer's Pooled Cash
Portfolio Management
Portfolio Details - Investments
September 30, 2019**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM 365	Maturity Date
Municipal Bonds												
13063DAC2	15378	California State Controller		04/17/2018	5,000,000.00	5,059,900.00	4,989,350.00	2.625	Aa	AA	2.700	04/01/2021
13063DGA0	15386	California State Controller		04/25/2018	6,000,000.00	6,087,300.00	6,000,240.00	2.800	Aa	AA	2.867	04/01/2021
13063DGN2	15416	State of California		09/18/2018	21,000,000.00	22,165,080.00	21,329,700.00	3.400	Aa	AA	3.051	08/01/2023
Subtotal and Average			42,323,890.00		42,000,000.00	43,497,480.00	42,323,890.00				2.851	
Supranationals												
4581X0CH9	14633	INTER AMERICAN DEV BANK		02/03/2016	10,000,000.00	9,999,000.00	10,148,500.00	1.750	Aaa	AAA	1.337	10/15/2019
4581X0CP1	14933	INTER AMERICAN DEV BANK		09/30/2016	5,000,000.00	4,997,200.00	5,131,100.00	1.875	Aaa	AAA	1.151	06/16/2020
4581X0CX4	15126	INTER AMERICAN DEV BANK		04/12/2017	20,000,000.00	19,961,400.00	19,952,600.00	1.625	Aaa	AAA	1.704	05/12/2020
4581X0DB1	15384	INTER AMERICAN DEV BANK		04/19/2018	10,000,000.00	10,127,556.00	9,987,060.00	2.625	Aaa	AAA	2.670	04/19/2021
4581X0DA3	15490	INTER AMERICAN DEV BANK		03/27/2019	10,000,000.00	10,275,891.00	10,077,000.00	2.500	Aaa	AAA	2.287	01/18/2023
4581X0CC0	15507	INTER AMERICAN DEV BANK		04/05/2019	6,175,000.00	6,499,496.25	6,331,227.50	3.000	Aaa	AAA	2.403	10/04/2023
4581X0CC0	15534	INTER AMERICAN DEV BANK		06/28/2019	15,000,000.00	15,788,250.00	15,706,200.00	3.000	Aaa	AAA	1.847	10/04/2023
45905UXS8	14951	International Bank for Reconst		10/27/2016	10,000,000.00	9,921,700.00	9,920,600.00	1.200	Aaa	AAA	1.400	12/01/2020
45905UB86	15036	International Bank for Reconst		12/22/2016	10,000,000.00	9,952,500.00	10,000,000.00	1.870	Aaa	AAA	1.870	06/22/2021
45905UC36	15045	International Bank for Reconst		12/28/2016	10,000,000.00	10,057,638.00	10,000,000.00	2.000	Aaa	AAA	2.000	09/28/2021
45905UF74	15138	International Bank for Reconst		04/19/2017	10,000,000.00	9,994,000.00	10,000,000.00	1.770	Aaa	AAA	1.770	10/19/2020
459058EW9	15239	International Bank for Reconst		08/30/2017	10,000,000.00	9,978,018.00	9,985,000.00	1.625	Aaa	AAA	1.669	03/09/2021
459058GL1	15448	International Bank for Reconst		12/05/2018	15,000,000.00	15,795,019.50	15,022,200.00	3.000	Aaa	AAA	2.966	09/27/2023
459058GL1	15504	International Bank for Reconst		04/02/2019	10,000,000.00	10,530,013.00	10,321,700.00	3.000	Aaa	AAA	2.242	09/27/2023
Subtotal and Average			152,583,187.50		151,175,000.00	153,877,681.75	152,583,187.50				1.980	
Total and Average			3,007,006,137.44		3,019,361,594.12	3,044,537,007.27	3,013,553,350.45				2.184	

APPENDIX H
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100