

Kern Community College District

Bakersfield, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORTS

June 30, 2015



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Kern Community College District

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Kern Community College District
Bakersfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Kern Community College District (the District), as of and for the year ended June 30, 2015; 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

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of June 30, 2015; and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standards

As discussed in note 1 to the basic financial statements, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pensions Transition for Contributions Made Subsequent to the Measurement Date*, for the fiscal year ended June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 and the required supplementary information on pages 44 to 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information on pages 52 to 71, and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITORS' REPORT

(Continued)

Such 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 information on pages 52 to 71 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, 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 and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

KCoe Jam, LLP

December 18, 2015
Redding, California

FINANCIAL SECTION

Kern Community College District

MANAGEMENT'S DISCUSSION AND ANALYSIS

ACCOUNTING STANDARDS

The Governmental Accounting Standard's Board (GASB) released Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* in June 1999, which established a reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, which applies the reporting standards of GASB Statement No. 34 to public colleges and universities. The GASB then amended those statements in June 2001 with the issuance of GASB Statements No. 37 and No. 38. Kern Community College District (District) adopted and applied these standards beginning in the 2002-03 fiscal year. In May 2002, the GASB released Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which amends GASB Statement No. 14, paragraphs 41 and 42, to provide guidance for determining and reporting whether certain organizations are component units. The District has adopted and applied the above standards beginning with the 2003-04 fiscal year.

The California Community College Chancellor's Office recommends that all state community college districts follow the standards using the Business Type Activity (BTA) model. Kern Community College District has adopted the BTA reporting model for these financial statements to comply with the recommendation of the Chancellor's Office and to report in a manner consistent and comparable with other community college districts.

The following discussion and analysis provides an overview of the District's financial activities with emphasis on current year data. This report consists of three basic financial statements that provide information 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.

Some of the changes in the financial statements that have resulted from the implementation of these standards using the BTA model are:

- Revenues and expenses are now categorized as either operating or non-operating; this operating information was not previously presented.
- Pledges from donors (excluding permanent endowments) are recorded as receivables and non-operating revenues at the date of the pledge. Previously, pledges were not recorded as revenue until the related gift was received.
- Capital assets are included in the statement presentations.

OVERVIEW

The 2014-15 California state budget continued to provide increased resources for the States Community Colleges. The States economy is continuing to expand providing additional tax revenues available for State funded programs. The District accordingly experienced continued growth in its funding resources. However, a new accounting principle requiring Districts to reflect on their financial statements their net pension liability associated with California State Teachers' Retirement Systems (CalSTRS) and California Public Employees Retirement Systems (CalPERS) decreased the Districts net position by 52%.

Kern Community College District

MANAGEMENT'S DISCUSSION AND ANALYSIS

The District continues to take a conservative approach to the fiscal changes occurring at the State due to a couple of key issues that will adversely impact future State revenues. The first part of the Proposition 30 temporary State tax increases (sales tax) sunsets at the end of 2016 with the second component of the increase (personal income tax) sun setting at the end of 2018. A large portion of the District's current unrestricted revenues (15%) are funded by Proposition 30 receipts. In addition, the current economic recovery is in its seventh year. Thus the likelihood of an economic downturn resulting in a recession sometime in the near future is a virtual certainty when looking back on the average historical lengths of economic cycles of expansion and recession. Due to these issues which create uncertainty with the State budget, the District believes it needs to continue to position itself for a long term financial downturn. The District continues to evaluate and identify opportunities for expenditure controls, organizational enhancements, reserve management and conservative budget planning and student enrollment management practices.

STATEMENT OF NET POSITION

Overall the District's net position decreased by \$85 million; decreasing from \$170 million to \$85 million. This was caused by the cumulative effect of an accounting principle change that decreases the District's net position by \$88 million. This change is due to the new requirement for Districts to reflect in their financial statements their net pension liability. The comparative financial statements for both 2014 and 2015 have been adjusted for this significant change.

The District's total assets decreased by \$28 million. This change is largely due to a decrease in restricted investments due to a COP payment of \$19.6 million, a decrease in the OPEB Bond Trust of \$5.5 million and decrease in restricted cash and cash equivalents of \$20.9 million due to debt service payments, OPEB premium payments and construction projects. These decreases were partially offset by an increase of \$7.3 million in Capital Assets due to the completion of building projects.

The Districts total liabilities decreased \$50.8 million. This decrease is primarily due to a decrease in the current portion of long term debt of \$16.9 million which was due to the \$19.6 million COP that was scheduled to mature in 2015, a \$23.8 million decrease in net pension liabilities and \$10 million decrease in non-current long term debt balances. These decreases were offset by an increase in deferred inflow of resources related to pension liabilities of \$20.5 million.

Net of the accounting principle change the District's net position increased by \$2.9 million.

Kern Community College District
MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Statement of Net Position

June 30	2015	2014	Change	% Change
Assets				
Current Assets:				
Cash and cash equivalents	\$ 52,949,326	\$ 30,103,592	\$ 22,845,734	75.9%
Accounts receivable - net	8,090,479	20,309,418	(12,218,939)	-60.2%
Prepaid expenses	779,295	1,201,947	(422,652)	-35.2%
Inventories	21,502	14,901	6,601	44.3%
Total Current Assets	61,840,602	51,629,858	10,210,744	19.8%
Noncurrent Assets:				
Restricted cash and cash equivalents	94,550,391	115,504,218	(20,953,827)	-18.1%
Restricted investments	24,223,326	43,281,417	(19,058,091)	-44.0%
Other post employment benefits asset	51,513,364	57,035,928	(5,522,564)	-9.7%
Nondepreciable capital assets	50,374,592	77,230,317	(26,855,725)	-34.8%
Depreciable capital assets - net	219,355,001	185,129,693	34,225,308	18.5%
Total Noncurrent Assets	440,016,674	478,181,573	(38,164,899)	-8.0%
TOTAL ASSETS	\$ 501,857,276	\$ 529,811,431	\$ (27,954,155)	-5.3%
Deferred Outflow of Resources	\$ 10,214,987	\$ 9,698,023	\$ 516,964	5.3%
Liabilities				
Current liabilities:				
Accounts payable	\$ 15,759,637	\$ 16,557,823	\$ (798,186)	-4.8%
Advances from grantors and students	3,623,967	3,281,594	342,373	10.4%
Compensated absences - current portion	1,815,011	1,894,141	(79,130)	-4.2%
Long-term debt - current portion	9,868,753	26,786,354	(16,917,601)	-63.2%
Amounts held in trust for others	861,498	713,732	147,766	20.7%
Total Current Liabilities	31,928,866	49,233,644	(17,304,778)	-35.1%
Noncurrent liabilities:				
Compensated absences - noncurrent portion	892,709	547,219	345,490	63.1%
Net pension liabilities	70,048,640	93,879,346	(23,830,706)	-25.4%
Long-term debt - noncurrent portion	303,950,220	313,994,449	(10,044,229)	-3.2%
Total Noncurrent Liabilities	374,891,569	408,421,014	(33,529,445)	-8.2%
Total Liabilities	\$ 406,820,435	\$ 457,654,658	\$ (50,834,223)	-11.1%
Deferred Inflow of Resources	\$ 20,519,459	\$ -	\$ 20,519,459	100.0%
Net Position				
Net investment in capital assets	\$ 85,962,058	\$ 121,208,810	\$ (35,246,752)	-29.1%
Restricted - expendable	33,242,370	33,332,387	(90,017)	-0.3%
Unrestricted	(34,472,059)	(72,686,401)	38,214,342	-52.6%
TOTAL NET POSITION	\$ 84,732,369	\$ 81,854,796	\$ 2,877,573	3.5%

Kern Community College District
MANAGEMENT'S DISCUSSION AND ANALYSIS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Overall the District's net position decreased by \$85 million, decreasing from \$170 million to \$85 million. This was caused by the cumulative effect of an accounting principle change that decreases the District's net position by \$88 million. This change is due to the new requirement for Districts to reflect in their financial statements their net pension liability. Revenues of \$202 million exceeded expenditures of \$199 million, resulting in an increase in net assets of \$3 million. Revenues decreased \$2 million from the prior year. This change was primarily due to decreases in state appropriations for capital projects of \$10.1 million. These decreases were offset by increases in State grants and contracts of \$4.8 million and financial aid revenues of \$2.9 million. Expenditures increased a net \$3 million from the prior year. This change was primarily due to an increase in payments to students including financial aid disbursements of \$2.8 million, and increase in salaries and benefit costs of \$5.4 million due to growth and expansion of grant and categorical programs increase in supplies, materials and other expenses of \$2.4 million. These increases were partially offset by a decrease in interest expense of \$3.9 million, decrease in benefit costs of \$1.7 million and decrease in debt issuance cost of \$1.0 million.

Condensed Statement of Revenues, Expenses and Changes in Net Position

Years Ended June 30	2015	2014	Change	% Change
Operating revenues	\$ 37,221,050	\$ 32,556,562	\$ 4,664,488	14.3%
Operating expenses	135,612,099	129,228,933	6,383,166	4.9%
Operating Loss	(98,391,049)	(96,672,371)	(1,718,678)	1.8%
Nonoperating revenues and expenses	103,357,496	100,753,259	2,604,237	2.6%
Income Before Other Revenue and Expenses	4,966,447	4,080,888	885,559	21.7%
Other revenue and expenses	(2,088,874)	4,473,951	(6,562,825)	-146.7%
Change in Net Position	2,877,573	8,554,839	(5,677,266)	-66.4%

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides additional information about the District's financial results by reporting its major sources and uses of cash. This information assists readers in assessing the District's ability to generate revenue, meet its obligations as they come due, and evaluate its need for external financing. The statement is divided into several parts. The first reflects operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from non-capital financing activities and shows the sources and uses of those funds. The third section reflects cash flows from capital and related financing activities. This section shows the cash used for the acquisition and construction of capital and related items. The fourth section reflects cash flows from investing activities. This section shows the cash received and spent for short-term investments and any interest paid or received on those investments.

Kern Community College District
MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Statement of Cash Flows

Years Ended June 30	2015	2014	Change	% Change
Cash received from operations	\$ 38,186,792	\$ 30,018,316	\$ 8,168,476	27.2%
Cash expended for operations	(124,927,714)	(112,972,402)	(11,955,312)	10.6%
Net Cash Used by Operating Activities	(86,740,922)	(82,954,086)	(3,786,836)	4.6%
Net cash provided by noncapital financing activities	114,632,431	97,129,949	17,502,482	18.0%
Net cash provided (used) by capital and related financing activities	(45,252,624)	12,133,113	(57,385,737)	-473.0%
Net cash provided by investing activities	19,253,022	21,118,727	(1,865,705)	-8.8%
Net Change in Cash and Cash Equivalents	1,891,907	47,427,703	(45,535,796)	-96.0%
Cash and Cash Equivalents - Beginning of Year	145,607,810	98,180,107	47,427,703	48.3%
Cash and Cash Equivalents - End of Year	\$ 147,499,717	\$ 145,607,810	\$ 1,891,907	1.3%

Kern Community College District
STATEMENT OF NET POSITION

June 30, 2015

ASSETS

Current Assets

Cash and cash equivalents	\$ 52,949,326
Accounts receivable - net	8,090,479
Prepaid expenses	779,295
Inventories	21,502

Total Current Assets 61,840,602

Noncurrent Assets

Restricted cash and cash equivalents - noncurrent	94,550,391
Restricted investments	24,223,326
Other postemployment benefits asset	51,513,364
Depreciable capital assets - net	219,355,001
Nondepreciable capital assets	50,374,592

Total Noncurrent Assets 440,016,674

TOTAL ASSETS 501,857,276

Deferred Outflow of Resources

Deferred outflow related to pensions	7,122,103
Deferred loss on refunding	3,092,884

Total Deferred Outflow of Resources 10,214,987

LIABILITIES

Current Liabilities

Accounts payable	15,759,637
Advances from grantors and students	3,623,967
Compensated absences - current portion	1,815,011
Long-term debt - current portion	9,868,753
Amounts held in trust for others	861,498

Total Current Liabilities 31,928,866

Noncurrent Liabilities

Compensated absences - noncurrent portion	892,709
Net pension liabilities	70,048,640
Long-term debt - noncurrent portion	303,950,220

Total Noncurrent Liabilities 374,891,569

TOTAL LIABILITIES 406,820,435

Deferred Inflow of Resources

Deferred inflow related to pensions	20,519,459
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NET POSITION

Net investment in capital assets	85,962,058
Restricted - expendable	33,242,370
Unrestricted	(34,472,059)

TOTAL NET POSITION \$ 84,732,369

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

Kern Community College District
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2015

Operating Revenues	
Tuition and fees	\$ 26,186,058
Less: Scholarship discounts and allowances	17,374,822
Net Tuition and Fees	8,811,236
Grants and contracts - noncapital:	
Federal	5,932,403
State	17,698,855
Local	2,123,916
Auxiliary enterprise sales and charges	1,471,176
Other operating revenue	1,183,464
Total Operating Revenues	37,221,050
Operating Expenses	
Salaries	78,803,107
Employee benefits	24,389,215
Supplies, materials, and other operating expenditures	22,779,797
Utilities	2,599,635
Depreciation	6,660,633
Payments to students	379,712
Total Operating Expenses	135,612,099
Operating Loss	(98,391,049)
Nonoperating Revenues (Expenses)	
State apportionments - noncapital	34,031,297
Education protection account revenues - noncapital	18,736,948
Local property taxes - noncapital	46,512,153
State taxes and other revenues - noncapital	4,430,060
Investment income - noncapital	194,931
Financial aid revenues - federal	45,717,332
Financial aid revenues - state	3,906,599
Financial aid disbursements	(49,588,105)
Other nonoperating revenues (expenses) - noncapital	(583,719)
Total Nonoperating Revenues (Expenses)	103,357,496
Income Before Other Revenues and Expenses	4,966,447
Other Revenues, Expenses, Gains or Losses	
Local property taxes and revenues - capital	10,580,920
State apportionments - capital	47,159
Investment income - capital	965,168
Interest expense - capital asset-related debt	(13,682,121)
Total Other Revenues, Expenses, Gains or Losses	(2,088,874)
Change in Net Position	2,877,573
Net Position - Beginning of Year (As Previously Reported)	169,727,705
Cumulative Effect of Change in Accounting Principle	(87,872,909)
Net Position - Beginning of Year (As Restated)	81,854,796
Net Position - End of Year	\$ 84,732,369

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

Kern Community College District
STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 8,417,983
Federal grants and contracts	7,080,792
State grants and contracts	17,233,178
Local grants and contracts	2,547,058
Payments to/on behalf of employees	(77,207,058)
Payments for benefits	(22,362,411)
Payments for scholarships and grants	(379,712)
Payments to suppliers	(22,378,898)
Payments for utilities	(2,599,635)
Auxiliary enterprise sales and charges	1,471,176
Other receipts	1,436,605

NET CASH USED BY OPERATING ACTIVITIES (86,740,922)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments - noncapital	45,601,918
Education protection account revenues	18,736,948
Local property taxes	46,512,153
Financial aid revenues - federal	45,717,332
Financial aid revenues - state	3,906,599
Financial aid disbursements	(49,588,105)
State taxes and other revenues	4,329,305
Other receipts (payments)	(583,719)

NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES 114,632,431

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State apportionments - capital	47,159
Local property taxes - capital	10,580,920
Purchases of capital assets	(16,142,488)
Interest paid on capital debt	(10,802,437)
Interest on investments - capital	965,168
Principal paid on capital debt	(29,900,946)

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES (45,252,624)

CASH FLOWS FROM INVESTING ACTIVITIES

Sale of investments	29,230,160
Purchase of investments	(10,172,069)
Interest on investments - noncapital	194,931

NET CASH PROVIDED BY INVESTING ACTIVITIES 19,253,022

Net Change in Cash and Cash Equivalents 1,891,907

Cash and Cash Equivalents - Beginning of Year 145,607,810

Cash and Cash Equivalents - End of Year \$ 147,499,717

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

Kern Community College District

STATEMENT OF CASH FLOWS

(Continued)

Year Ended June 30, 2015

COMPONENTS OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents	\$ 52,949,326
Restricted cash and cash equivalents - noncurrent	94,550,391

TOTAL CASH AND CASH EQUIVALENTS \$ 147,499,717

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

Operating loss	\$ (98,391,049)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	6,660,633
Allowance for doubtful accounts	273,470
Deferred outflow related to pension	(1,115,666)
Net pension liabilities	(23,830,706)
Deferred inflow related to pension	20,519,459
Changes in:	
Accounts receivable	901,280
Prepaid expenses	422,652
Other postemployment benefit asset	5,522,564
Inventories	(6,601)
Accounts payable	1,972,220
Advances from grantors and students	(83,304)
Compensated absences	147,766
Amounts held in trust for others	266,360

NET CASH USED BY OPERATING ACTIVITIES \$ (86,740,922)

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

Kern Community College District

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity Kern Community College District (the District) is a community college governed by an elected seven-member Board of Trustees. The District provides educational services in the counties of Kern, Tulare, San Bernardino, Inyo, and Mono in the state of California. The District consists of three community colleges located in Bakersfield, Porterville, and Ridgecrest, California, and satellite campuses in outlying areas.

The District identified the Kern Community College District Public Facilities Corporation (the Corporation) and the Kern Community College Public Retirement System as its component units.

In order to make this determination, the District considered the following potential component units: the Corporation, The Kern Community College Public Retirement System, Bakersfield College Foundation, Cerro Coso Community College Foundation, Delano College Center Foundation, and Porterville College Foundation. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Government Auditing Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39. The three criteria for requiring a legally separate, tax-exempt organization to be discretely presented as a component unit are the “direct benefit” criterion, the “entitlement/ability to access” criterion, and the “significance” criterion.

The Corporation was established as a legally separate, not-for-profit corporation to provide financial assistance to the District for acquisition and construction of major capital facilities, which, upon completion, will be leased to the District under a lease-purchase agreement. At the end of the lease term, title to all Corporation property will pass to the District for no additional consideration. Additionally, the Kern Community College Public Retirement System was established to administer payment of certain health care benefits and early retirement incentive benefits to retired employees of the District. Therefore, the District has classified the Corporation and the Kern Community College Public Retirement System as component units that will be presented in the District’s annual financial statements using the blending method.

All of the Foundations are legally separate, not-for-profit corporations established to support the District and its students. The Foundations contribute to various scholarship funds for the benefit of District students as well as making direct contributions to the District. However, the Foundations do not meet the “entitlement/ability to access” criterion. Additionally, due to the size of the District, none of these Foundations, individually, meet the significance criteria and; therefore, the District has determined none of these Foundations meet the requirement to be included in the reporting entity as a discretely presented component unit.

Basis of Presentation and Accounting The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities (BTA). Accordingly, the District’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of the related cash flows. All significant intra-agency transactions have been eliminated.

Kern Community College District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Exceptions to the accrual basis of accounting are as follows:

In accordance with industry standards provided by the California Community Colleges Chancellor's Office, summer session tuition and fees received before year end are recorded as advances from grantors and students as of June 30 with the revenue being reported in the fiscal year in which the program is predominately conducted.

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The budgetary and financial accounts of the District are recorded and maintained in accordance with the *Budget and Accounting Manual* issued by the California Community Colleges Chancellor's Office.

Cash and Cash Equivalents For purposes of the statement of cash flows, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested in the County Treasurer's investment pool are considered cash equivalents.

Investments GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, provides that amounts held in external investment pools be reported at fair value. However, cash in the County treasury and investments in the Local Agency Investment Fund (LAIF) are recorded at the value of the pool shares held, which approximates the fair value of the underlying cash and investments of the pool.

All other investments are reported at fair value based on quoted market prices with realized and unrealized gains or losses reported in the statement of revenues, expenses, and changes in net position.

Restricted Cash and Investments Restricted cash and investments includes cash restricted for the repayment of debt, for use in the acquisition or construction of capital assets, for restricted programs, for any other restricted purpose, or in any funds restricted in purpose per the *California Community Colleges Budget and Accounting Manual*.

Accounts Receivable Accounts receivable consists 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. Accounts receivable also include amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. The allowance for uncollectible accounts is calculated by applying certain percentages to each aging group. The allowance was estimated at \$3,422,295 for the year ended June 30, 2015.

Prepaid Expenses Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Kern Community College District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

Capital Assets Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Where historical cost is not available, estimated historical cost is based on replacement cost reduced for inflation. Capitalized equipment includes all items with a unit cost of \$5,000 or more and estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 15 years for portable buildings, 10 years for site improvements, and 3 - 8 years for equipment and vehicles.

The District has entered into two significant joint facility use agreements with other public agencies. These agreements call for the prepayment of lease costs by the District in exchange for designated future use of specific facilities being constructed by various other public agencies. These prepayments were designated to be utilized to complete construction of the new facilities to be jointly used by the District and other public agencies. Based on management's interpretation of current generally accepted accounting principles, these payments meet the definition of a capital asset due to the long-term nature of the agreements even though the District does not have an actual ownership interest in the capital assets underlying the agreements.

Contracting Public Agencies	Term	Facilities	Prepaid Amount
Joint Union High School District	50 Years	Gymnasium & Lecture Center	\$ 4,000,000
Mono County Library Authority, Mono County Board of Education, and Mammoth Unified School District	90 Years	Library	\$ 3,500,000

Capitalized interest consisted of the following:

June 30, 2015	
Interest incurred	\$ 14,626,055
Less: Amount expensed	13,682,121
Amount to be Capitalized	943,934
Reduced by interest earned	18,616
Capitalized Interest - Net	\$ 925,318

Advances From Grantors and Students Advances from grantors and students includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year that relate to the subsequent accounting period. Advances from grantors and students also includes amounts received from grant and contract sponsors that have not yet been earned.

Amounts Held in Trust for Others Amounts held for others represents funds held by the District for the associated students trust fund, student representation fee trust fund, and student body fee trust fund.

Kern Community College District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Compensated Absences Accumulated and vested unpaid employee vacation benefits and compensatory time are recognized as liabilities of the District as the benefits are earned.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Long-Term Liabilities Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which does not differ materially from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period, and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District only has two items that qualify for reporting in this category. One is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. The other is the deferred outflows of resources related to pension which represents a reclassification of current year's pension contributions, all of which will be amortized during fiscal year 2015-16, per accounting pronouncement GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s), and as such will not be recognized as an inflow of resources (revenue) until that time. The District only has one item that qualifies for reporting in this category, related to pension, which is the difference between the projected and actual earnings on the pension plan investments.

Net Position Net position represents the difference between assets and liabilities. The District's net position is classified as follows:

Net Investment in Capital Assets: This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Kern Community College District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Restricted Net Position - Expendable: Restricted expendable net position represents resources which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.

Unrestricted Net Position: Unrestricted net position represents resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Classification of Revenues The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, including state appropriations, local property taxes, and investment income. Revenues are classified according to the following criteria:

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises; and (3) some federal, state, and local grants and contracts, and federal appropriations.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources, such as state appropriations and investment income.

Scholarship Discounts and Allowances Student tuition and fee revenue are reported net of scholarship 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 goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf.

State Apportionments Certain current-year apportionments from the state are based on various financial and statistical information of the previous year as well as state budgets and other factors outside the District's control. In February, subsequent to the year end, the state will perform a recalculation based on actual financial and statistical information for the year just completed. Any corrections determined by the state are recorded in the year computed by the state.

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

Kern Community College District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

Property Taxes Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent if paid after December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Kern bills and collects the taxes for the District.

Budget and Budgetary Accounting By state law, the District’s governing board must approve a tentative budget no later than July 1, and adopt a final budget no later than September 15 of each year. A hearing must be conducted for public comments prior to adoption. The District’s governing board satisfied these requirements.

The budget is revised during the year to incorporate categorical funds that are awarded during the year and miscellaneous changes to the spending plans. The District’s governing board approves revisions to the budget.

On-Behalf Payments GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits, and salaries made by an entity to a third-party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the California State Teachers Retirement System (CalSTRS) and the California Public Employees’ Retirement System (CalPERS) on behalf of all community college districts in California. The amount reported in the basic financial statements as of June 30, 2015, was \$460,203.

Change in Accounting Principle Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71.

June 30, 2015	
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Net Position as Previously Reported - June 30, 2014	\$ 169,727,705
Cumulative Effect of Change in Accounting Principle	
Net pension liability (measurement date as of June 30, 2013)	93,879,346
Deferred Outflows of Resources	
District contributions made during fiscal year 2014	6,006,437
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Total Cumulative Effect of Change in Accounting Principle	87,872,909
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Net Position as Restated - July 1, 2014	\$ 81,854,796
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Kern Community College District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2. CASH AND INVESTMENTS

The cash and cash equivalents are as follows:

June 30, 2015

Cash and cash equivalents	\$ 52,949,326
Restricted cash and cash equivalents	94,550,391
Total Cash and Cash Equivalents	\$ 147,499,717

The carrying amount of the District's cash is summarized as follows:

June 30, 2015

Cash in County treasury	\$ 141,815,454
Cash on hand and in banks	2,953,806
Cash held by trustees	2,730,457
Total Deposits	\$ 147,499,717

As provided for by *California Education Code*, Section 41001, a significant portion of the District's cash balances of most funds is deposited with the Kern County Treasurer for the purpose of increasing interest earned through County investment activities. The County Treasury's Pooled Money Investment account's weighted average maturities were less than two years at June 30, 2015, and the pool is unrated.

Copies of the County's audited financial statements can be obtained from the Kern County Auditor-Controller's Office, 1115 Truxtun Avenue, Bakersfield, California 93301-4639.

The pooled treasury has regulatory oversight from the Kern County Treasury Oversight Committee in accordance with *California Government Code* requirements.

The *California Government Code* requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110% of an entity's deposits. California law also allows financial institutions to secure an entity's deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits.

All cash held by financial institutions is collateralized by securities that are held by the broker or dealer, or by its trust department or agent, but not in the District's name. In addition, \$1,457,077 of the bank balances at June 30, 2015, are insured.

Kern Community College District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

The District's investment policy is consistent with *California Government Code* as it relates to investment vehicles. The District's investment policy authorizes it to invest in the following:

- U.S. Treasury notes, bonds, and bills
- Registered warrants, treasury notes, and bonds of the State of California
- Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California
- Obligations issued by, or fully guaranteed as to principal and interest by the Federal National Mortgage Association or instruments issued by a federal agency
- Bankers' acceptances which are eligible for purchase by the Federal Reserve System
- Rated commercial paper (A1 or P1)
- Negotiable certificates of deposit
- Repurchase agreements and reverse repurchase agreements with Master Agreement under California law
- Medium-term notes with a maximum of five (5) years maturity issued by U.S. Corporations and rated A or better
- Money market mutual funds meeting criteria prescribed in *California Government Code*, Section 53601
- Local Agency Investment Fund (LAIF)
- Passbook savings account demand deposits
- Interest-bearing demand deposits with the County of Kern Auditor-Controller

The District's restricted investments are as follows:

June 30, 2015

Investments in LAIF	\$ 890,474
Bank clearing account	424,471
Certificates of deposit	2,795,522
Money market	193,479
Municipal bonds	6,505,613
Corporate bonds and notes	4,134,679
U.S. Government agency securities	7,630,509
Foreign bonds	1,648,579
Total Investments	\$ 24,223,326

Kern Community College District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The District participates in the LAIF, a voluntary program created by statute (*California Government Code*, Section 16429). The Local Investment Advisory Board provides oversight for LAIF. Market valuation is conducted monthly and fund policies, goals and objectives are reviewed annually. The District has the right to withdraw its deposited monies from LAIF upon demand. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. LAIF's exposure and the District's related exposure to credit, market, and legal risk is not available. Foreign bonds are dollar denominated bonds of companies based outside the United States of America.

Risk Information

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. The District manages its exposure to interest rate risk using multiple strategies. Those strategies are as follows:

1. The implementation of a "ladder" in which bond maturities are staggered evenly over a five-year period. This partially neutralizes interest rate risk by giving the District the flexibility of reinvesting shorter-term securities in higher interest rates (assuming interest rates are moving up) and locking in a portion of the portfolio at higher rates on a longer term basis if interest rates move downward. The overall goal is to provide a more competitive "average" yield on the portfolio as opposed to making directional yield curve projections at various points on the curve.
2. The District also diversifies through investing in credit quality securities. Over 48% of the portfolio is currently weighted in AAA-rated securities. These securities tend to perform better in volatile interest rate environments. The District's bias is to keep a solid majority of the portfolio in AAA-rated securities at all times for capital preservation purposes.
3. The District invests in "step-up" coupon bonds and some "floating-rate" debt in the portfolio. This also assists in cushioning the portfolio from credit risk during periods of higher interest rates.

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

June 30, 2015	Fair Value	Investment Maturities		
		Less Than One Year	One to Five Years	More Than Five Years
Investment in LAIF	\$ 890,474	\$ 890,474	\$ -	\$ -
Bank clearing account	424,471	424,471	-	-
Certificates of deposit	2,795,522	-	2,524,884	270,638
Municipal bonds	6,505,613	256,241	5,303,034	946,338
Money market	193,479	193,479	-	-
Corporate bonds and notes	4,134,679	-	3,815,409	319,270
U.S. Government agency securities	7,630,509	335,312	7,198,146	97,051
Foreign bonds	1,648,579	-	1,648,579	-
Total Investments	\$ 24,223,326	\$ 2,099,977	\$ 20,490,052	\$ 1,633,297

Kern Community College District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by ratings assigned by nationally-recognized organizations. The following represents the actual ratings of the investment types:

June 30, 2015	Fair Value	Investment Ratings					
		AAA	AA	A	BAA	Unrated	
Investment in LAIF	\$ 890,474	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 890,474
Bank clearing account	424,471	-	-	-	-	-	424,471
Certificates of deposit	2,795,522	2,795,522	-	-	-	-	-
Municipal bonds	6,505,613	937,274	4,796,731	771,608	-	-	-
Money market	193,479	193,479	-	-	-	-	-
Corporate bonds and notes	4,134,679	-	2,127,681	1,755,838	251,160	-	-
U.S. Government agency securities	7,630,509	7,630,509	-	-	-	-	-
Foreign bonds	1,648,579	-	1,648,579	-	-	-	-
Total Investments	\$ 24,223,326	\$ 11,556,784	\$ 8,572,991	\$ 2,527,446	\$ 251,160	\$ -	\$ 1,314,945

Concentration risk is defined as positions of 5% or more in the securities of a single issuer. The District’s investment policy contains no limitations on the amount that can be invested in any single issuer. A total of 32% of the District’s investments are in Federal National Mortgage Association and Federal Home Loan Bank, which are U.S. government-sponsored enterprises.

The U.S. government agency securities (Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Farm Credit Bank and Federal Home Loan Bank) are mortgage-backed securities which entitle the purchaser to receive a share of the cash flows, such as principal and interest payments, from a pool of mortgages. Mortgage securities are sensitive to interest rate changes because principal payments either increase (in a low interest rate environment) or decrease (in a high interest rate environment). A change, up or down, in the payment rate will result in a change in the security yield.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., financial institution, broker-dealer) to a transaction, a government will not be able to recover the value of its cash and investments or collateral securities that are in the possession of another party.

For investments, the District’s policy requires that a third-party bank trust department hold all securities owned by the District in the District’s name.

Kern Community College District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

June 30, 2015

Tuition and fees	\$ 5,158,796
Less: Allowance for doubtful accounts	3,422,295
Tuition and Fees - Net	1,736,501
Federal grants and contracts	929,337
State grants and contracts	2,159,604
Local grants and contracts	1,497,917
State apportionment	233,363
State taxes and other revenues	1,079,999
Other	453,758
Total	\$ 8,090,479

4. CAPITAL ASSETS

Capital assets activity is summarized as follows:

	Balance June 30, 2014	Additions	Deductions	Transfers	Balance June 30, 2015
Nondepreciable Capital Assets					
Land	\$ 15,675,746	\$ -	\$ -	\$ -	\$ 15,675,746
Construction in progress	61,554,571	11,622,587	-	(38,478,312)	34,698,846
Total Nondepreciable Capital Assets	\$ 77,230,317	\$ 11,622,587	\$ -	\$ (38,478,312)	\$ 50,374,592
Depreciable Capital Assets					
Site improvements	\$ 6,754,772	\$ -	\$ -	387,807	\$ 7,142,579
Joint use facilities agreements	7,448,375	-	-	-	7,448,375
Buildings and improvements	231,051,658	7,149	-	38,090,505	269,149,312
Equipment	18,197,354	903,243	-	-	19,100,597
Computer equipment	16,720,455	1,227,073	-	-	17,947,528
Vehicles	2,282,471	270,164	-	-	2,552,635
Total Depreciable Capital Assets	282,455,085	2,407,629	-	38,478,312	323,341,026
Less: Accumulated depreciation	97,325,392	6,660,633	-	-	103,986,025
Total Depreciable Assets - Net	\$ 185,129,693	\$ (4,253,004)	\$ -	\$ 38,478,312	\$ 219,355,001

Kern Community College District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. ACCOUNTS PAYABLE

Accounts payable consisted of the following:

June 30, 2015

Accrued payroll and related liabilities	\$ 5,004,843
Construction payables	2,230,944
Interest payable	2,766,315
Other	5,757,535
Total	\$ 15,759,637

6. LONG-TERM LIABILITIES

The long-term liability activity is as follows:

June 30, 2015	Beginning Balance	Accretion/ Additions	Reductions	Ending Balance	Current Portion
Certificates of participation	\$ 53,839,741	\$ -	\$ 20,702,038	\$ 33,137,703	\$ 1,165,000
Limited obligation improvement bonds	5,612,646	-	346,689	5,265,957	65,000
General obligation improvement bonds	197,840,528	3,681,978	8,624,135	192,898,371	7,613,847
CEC loan	2,027,888	-	135,946	1,891,942	139,906
Other postemployment benefit bonds	81,460,000	-	835,000	80,625,000	885,000
Subtotal	340,780,803	3,681,978	30,643,808	313,818,973	9,868,753
Compensated absences	2,441,360	2,081,371	1,815,011	2,707,720	1,815,011
Net pension liabilities	93,879,346	-	23,830,706	70,048,640	-
Total Long-Term Liabilities	\$ 434,660,149	\$ 5,763,349	\$ 56,289,525	\$ 384,133,973	\$ 11,683,764

Long-term liabilities consisted of the following individual debt issues:

June 30, 2015

CERTIFICATES OF PARTICIPATION

2008 Conversion of 2004 Variable Rate Certificates of Participation issued in the original amount of \$40,280,000 by the Corporation. Final maturity in 2034. Interest rates range from 3.50% to 4.75%.

	\$ 33,455,000
Less: Discounts	317,297

CERTIFICATES OF PARTICIPATION - NET 33,137,703

Balance Forward **\$ 33,137,703**

Kern Community College District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

June 30, 2015

Balance Brought Forward	\$ 33,137,703
LIMITED OBLIGATION IMPROVEMENT BONDS	
2010A Lease Revenue Bonds issued in the original amount of \$6,810,000. Final maturity in 2035. Interest rates range from 3.00% to 5.12%.	5,340,000
Less: Discounts	74,043
LIMITED OBLIGATION IMPROVEMENT BONDS - NET	5,265,957
GENERAL OBLIGATION BONDS	
Bonds issued in the original amount of \$7,556,642, including current interest bonds and capital appreciation bonds. Final maturity in 2025. Interest rates range from 4.00% to 5.66%.	3,520,728
Bonds issued in the original amount of \$4,022,236, including current interest bonds and capital appreciation bonds. Final maturity in 2027. Interest rates range from 3.55% to 5.57%.	1,958,304
Bonds issued in the original amount of \$75,240,068, including current interest bonds and capital appreciation bonds. Final maturity in 2028. Interest rates range from 2.00% to 6.78%.	5,669,457
Bonds issued in the original amount of \$54,025,132, including current interest bonds and capital appreciation bonds. Final maturity in 2021. Interest rates range from 3.00% to 5.00%.	4,873,847
Bonds issued in the original amount of \$49,999,533, including current interest bonds and capital appreciation bonds. Final maturity in 2030. Interest rates range from 4.25% to 5.00%.	55,604,552
Bonds issued in the original amount of \$6,985,000, including current interest bonds and capital appreciation bonds. Final maturity in 2026. Interest rates range from 2.00% to 5.50%.	5,875,000
Bonds issued in the original amount of \$54,800,000, including current interest bonds. Final maturity in 2034. Interest rates range from 2.00% to 5.75%.	53,775,000
Bonds issued in the original amount of \$40,035,000, including current interest bonds. Final maturity in 2021. Interest rates range from 0.0281% to 3.193%.	38,805,000
Bonds issued in the original amount of \$14,370,000, including current interest. Final maturity in 2021. Interest rates range from 2.00% to 5.00%.	14,070,000
Subtotal	184,151,888
Premium on general obligation bonds	8,746,483
GENERAL OBLIGATION BONDS - NET	192,898,371
Balance Forward	\$ 231,302,031

Kern Community College District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

June 30, 2015

Balance Brought Forward	\$ 231,302,031
CEC LOAN	
Energy Conservation Assistance Loan with a principal amount of \$2,200,000. Final maturity in 2026, with an interest rate of 3.00%. Interest-only payments until June 2013.	1,891,942
OTHER POSTEMPLOYMENT BENEFIT BONDS	
2008 Taxable Other Postemployment Benefit (OPEB) Bonds, Series A, issued in the original amount of \$85,880,000. Final maturity in 2047, with an interest rate of 6.01%.	80,625,000
Subtotal	313,818,973
Less: Current portion	9,868,753
Total Long-Term Liabilities - Noncurrent Portion	\$ 303,950,220

Refunded Debt

On March 27, 2014, the District issued \$40,035,000 in 2014 Series A Federally Taxable General Obligation Refunding Bonds. The 2014 Series A bonds were issued to refinance a portion of the outstanding 2005 General Obligation Refunding Bonds of the Safety, Repair and Improvement District. The total gross debt service savings generated as a result of the refunding are \$1,705,812. On a net present value basis, the total savings equaled \$1,594,657.

On March 27, 2014, the District issued \$14,370,000 in 2014 Series B Federally Tax-Exempt General Obligation Refunding Bonds. The 2014 Series B bonds were issued to refinance a portion of the outstanding Election of 2002, Series 2006 General Obligation Bonds of the Safety, Repair and Improvement District. The total gross debt service savings generated as a result of the refunding are \$1,251,796. On a net present value basis, the total savings equaled \$1,153,525.

The District recognized a financial statement gain of \$971,036 on the above refundings and it is being amortized over the life of the new debt.

Kern Community College District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Accretion

General obligation bonds as of June 30, 2015, have been increased by \$30,026,034 to include accumulated accretion of the capital appreciation bonds. Annual accretion is recognized as interest in the statement of activities.

The annual debt service requirements to maturity on the long-term debt issues are as follows:

Year Ending June 30	Principal	Interest	Bonds Total	Bond Premium	Total
2016	\$ 9,868,753	\$ 15,200,560	\$ 25,069,313	\$ 742,867	\$ 25,812,180
2017	10,499,283	11,509,917	22,009,200	746,946	22,756,146
2018	11,198,645	11,177,059	22,375,704	747,761	23,123,465
2019	12,033,138	10,797,622	22,830,760	747,761	23,578,521
2020	12,927,665	9,934,158	22,861,823	747,761	23,609,584
2021-2025	54,550,903	64,266,575	118,817,478	2,379,105	121,196,583
2026-2030	31,475,949	80,748,199	112,224,148	1,523,838	113,747,986
2031-2035	88,127,533	40,223,662	128,351,195	719,104	129,070,299
2036-2040	16,045,000	12,623,104	28,668,104	-	28,668,104
2041-2045	21,490,000	7,185,256	28,675,256	-	28,675,256
2046-2050	7,220,927	957,093	8,178,020	-	8,178,020
Total	\$ 275,437,796	\$ 264,623,205	540,061,001	8,355,143	548,416,144
Less: Interest (exluding accretion of \$30,026,034)			(234,597,171)	-	(234,597,171)
Net Principal			\$ 305,463,830	\$ 8,355,143	\$ 313,818,973

7. OPERATING LEASES

The District leases office and classroom facilities and other equipment under noncancelable operating leases. Total costs for such leases for the year ended June 30, 2015, were \$22,782.

The future minimum lease payments are as follows:

Year Ending June 30	
2016	\$ 11,608
2017	9,785
2018	8,484
2019	1,303
Total	\$ 31,180

8. PENSIONS

General Information about the Pension Plans

Qualified employees are covered under cost-sharing, multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

California State Teachers' Retirement System

Plan Description

Certificated employees of the District participate in the State Teachers' Retirement Plan (STRP), a cost-sharing, multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions are established by state statute, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a publicly available financial report that can be obtained at www.calstrs.com.

Benefits Provided

STRP provides retirement, disability, and survivor benefits to beneficiaries. The defined benefit program provides retirement benefits based on members' final compensation, age, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. The program has two benefit formulas:

- **CalSTRS 2% at 60** – CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2% of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4% of final compensation.
- **CalSTRS 2% at 62** – CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with minimum of five years of credited service. The normal retirement benefit is equal to 2% of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4% at age 65 or older.

Kern Community College District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Contributions

Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Active plan members are required to contribute 8.15% of their salary. The required employer contribution rate for fiscal year 2014-15 was 8.88% of annual payroll. State Teachers' Retirement Law also requires the state to contribute 3.454% of the members' creditable earnings from the fiscal year ending in the prior calendar year. The District's contribution to CalSTRS for the fiscal year ended June 30, 2015, was \$4,093,690.

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

At June 30, 2015, the District reported a net pension liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided by 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:

June 30, 2015	
District's proportionate share of the net pension liability	\$ 47,584,641
State's proportionate share of the net pension liability associated with the District	19,361,347
Total	\$ 66,945,988

The District's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. 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. At June 30, 2014, the District's proportion was 0.088%.

For the year ended June 30, 2015, the District recognized pension expense of \$460,203 and revenue of \$460,203 for support provided by the state. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

Kern Community College District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

June 30, 2015	Deferred Outflows Resources	Deferred Inflows Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 12,663,200
Changes in proportion and differences between District contributions and proportionate share of contributions	304,525	-
District contributions subsequent to the measurement date	4,093,690	-
Total	\$ 4,398,215	\$ 12,663,200

The \$4,093,690 reported as 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2016	\$ (3,122,296)
2017	(3,122,296)
2018	(3,122,296)
2019	(3,122,296)
2020	43,504
Thereafter	87,005
Total	\$ (12,358,675)

Actuarial Assumptions

The total pension liability in the June 30, 2013, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.60%, net of investment expenses, but gross of administrative expenses
Interest on accounts	4.50%
Wage growth	3.75%
Consumer price inflation	3.00%
Post-retirement benefit increases	2.00% simple

Kern Community College District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the period July 1, 2006, through June 30, 2010.

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. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.02%
Cash/liquidity	1%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those 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 the total pension liability.

Kern Community College District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

June 30, 2015	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	\$ 74,172,011	\$ 47,584,641	\$ 25,415,607

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in CalSTRS' separately issued Comprehensive Annual Financial Report (CAFR).

California Public Employees' Retirement System

Plan Description

Classified employees of the District participate in the School Employer Pool (the Plan) under CalPERS, a cost-sharing, multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a publicly available financial report that can be obtained at www.calpers.ca.gov.

Benefits Provided

The plan provides retirement, disability benefits, and death benefits to plan members and beneficiaries. The benefits are based on members' years of service, age, final compensation, and benefit formula. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Member contribution rates are defined by law. Employer contribution rates are determined by periodic actuarial valuations. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. Active plan members are required to contribute 7.00% of their salary. The required employer contribution rate for the 2014-15 fiscal year was 11.771%. The District's contributions to CalPERS for the fiscal year ended June 30, 2015, was \$2,725,027.

Kern Community College District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

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

At June 30, 2015, the District reported a net pension liability of \$22,463,999 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. 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. At June 30, 2013, the District's proportion was 0.2014%.

For the year ended June 30, 2015, the District recognized pension expense of \$1,725,025. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

June 30, 2015	Deferred Outflows Resources	Deferred Inflows Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 7,856,259
Changes in proportion and differences between District contributions and proportionate share of contributions	(1,139)	-
District contributions subsequent to the measurement date	2,725,027	-
Total	\$ 2,723,888	\$ 7,856,259

The \$2,725,027 reported as 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2016	\$ (1,964,350)
2017	(1,964,350)
2018	(1,964,350)
2019	(1,964,348)
Total	\$ (7,857,398)

Kern Community College District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2013, actuarial valuation for CalPERS was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Discount rate	7.50%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%, net of pension plan investments and administrative expenses; includes inflation

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. 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.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2011.

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. In determining the long-term expected rate of return, staff 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 of the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Kern Community College District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

Asset Class	Target Allocation	Rate of Return Years 1-10	Rate of Return Years 11+
Global equity	47%	5.25%	5.71%
Global fixed income	19%	0.99%	2.43%
Private equity	6%	0.45%	3.36%
Real estate	12%	6.83%	6.95%
Inflation sensitive	11%	4.50%	5.13%
Infrastructure and forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	100%		

Discount Rate

The discount rates used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate, the amortization and smoothing periods recently adopted by CalPERS were utilized. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
June 30, 2015			
District's proportionate share of the net pension liability	\$ 39,406,982	\$ 22,463,999	\$ 22,463,999

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in CalPERS' separately issued Comprehensive Annual Financial Report (CAFR).

9. STATE AND FEDERAL ALLOWANCES, AWARDS, AND GRANTS

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements will not be material.

10. RISK MANAGEMENT

The District participates in three joint powers agreements (JPAs) with the Self-Insured Schools of California Workers' Compensation Program (SISC I), Self-Insured Schools of California Property and Liability Program (SISC II), and Self-Insured Schools of California Health Benefits Program (SISC III). Self-Insured Schools of California (SISC) arranges for and provides insurance for its members. SISC groups are governed by boards consisting of representatives from member districts. The boards control the operations of SISC, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in SISC.

Coverage includes property, liability/auto, crime, and boiler/machinery insurance. Liability losses in excess of the District's \$1,000 retention amount are covered up to \$1,500,000 per occurrence. Coverage above the \$1,500,000 level up to \$50,000,000 is afforded by three excess commercial insurers. Property losses in excess of the District's \$5,000 retention amount are covered up to \$250,000 per occurrence. Coverage above the \$250,000 level up to \$140,000,000 is afforded by three excess commercial insurers. There has been no significant reduction in any of the insurance coverages from prior year. Settled claims resulting from these programs have not exceeded insurance coverage in each of the past three fiscal years.

The District has recorded no excess insurance reserves being held by SISC as of June 30, 2015.

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District provides postemployment healthcare benefits for eligible employees who retire with CalSTRS or CalPERS pension benefits immediately upon termination of employment from the District through the Kern Community College District Postretirement Health Benefits Plan (the Plan). The Plan is a single employer OPEB plan and obligations of the Plan members and the District are based on negotiated contracts with the various bargaining units of the District.

Plan Description

Retirees are eligible for benefits depending on their most recent date of hire and their benefit eligibility service. The District pays up to 100% of the eligible retirees' medical, dental, and vision plan premiums.

Kern Community College District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

The retirement health benefit may continue for the lifetime of a surviving spouse and for other dependents as long as they are entitled to coverage under pertinent eligibility rules.

Currently, the District has 862 active full-time employees who are eligible for postemployment health benefits and 489 retirees who receive postretirement health benefits.

Funding Policy

The contribution requirements are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. Additionally, the District has established an irrevocable trust (the Trust) with Union Bank of California through the Retiree Health Benefit Program Joint Powers Authority to prefund a portion of retiree health benefit costs.

The District issued OPEB bonds in a prior year to assist with the funding of the obligation and the Trust will be funded with contributions based on the District's approved final budget annually.

Annual OPEB Cost and Net OPEB Obligation

Before the implementation of GASB 45, the District's expenses for postretirement health benefits were recognized only when paid. The District's annual OPEB cost (expense) is now calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period of 30 years. The following table shows the components of the District's OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

June 30, 2015	
Annual required contribution	\$ 593,635
Adjustment to annual required contribution	4,928,929
Annual OPEB Cost	5,522,564
Contributions	-
Change in Net OPEB Asset	5,522,564
Net OPEB Asset - Beginning of Year	57,035,928
Net OPEB Asset - End of Year	\$ 51,513,364

Kern Community College District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation were as follows:

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net Ending OPEB Obligation
June 30, 2013	\$ 5,402,334	\$ -	0.00%	\$ 62,438,262
June 30, 2014	\$ 5,402,334	\$ -	0.00%	\$ 57,035,928
June 30, 2015	\$ 5,522,564	\$ -	0.00%	\$ 51,513,364

Actuarial Methods and Assumptions

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members), and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 2014 actuarial valuation, the entry-age normal cost method was used. The actuarial assumptions included a 6.0% discount rate based on the assumption that a substantial portion of the ARC is funded. A 2.75% price inflation and a 2.75% wage inflation assumption was used as well as an annual cost trend rate of 4.0%. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are a level percent of payroll over a 30-year period.

Kern Community College District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

Condensed OPEB Trust Financial Statements

The financial information for the OPEB Trust is presented below.

Statement of Net Assets Available for Benefits

June 30, 2015

Assets	
Cash and cash equivalents	\$ 5,394,189
Interest receivable	137,795
Long-term investments	70,308,333
Total Assets	75,840,317
Liabilities	
Benefits payable	-
Net Assets Available for Benefits	\$ 75,840,317

Statement of Changes in Net Assets Available for Benefits

June 30, 2015

Additions	
Investment income:	
Net realized and unrealized losses in investments	\$ (1,024,920)
Dividends and interest	1,741,909
Total Additions	716,989
Deductions	
Benefits paid	7,370,929
Net Decrease	(6,653,940)
Net Assets Available for Benefits - Beginning of Year	82,494,257
Net Assets Available for Benefits - End of Year	\$ 75,840,317

Notes to the Condensed OPEB Trust Financial Statements

Plan Provisions

The plan is described in detail above and includes the plan provisions and the authority for plan changes.

Kern Community College District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

Summary of Significant Accounting Policies

Basis of Accounting The financial statements shown above are prepared using the accrual basis of accounting. Contributions are recognized as revenues in the period in which the contributions are due, and the District has made a formal commitment to provide the contributions. Benefit expenses are recognized when due and payable.

Investments Investments are reported at fair value. The plan retains a separate investment manager for its investment portfolios.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

12. COMMITMENTS

The District had unfinished construction contracts under the following project categories:

June 30, 2015

Bakersfield College Performing Arts Modernization	\$	808,037
Bakersfield College Chairlifts/Elevator Replacement		178,109
Bakersfield Campus Water & Gas Line Replacement		160,187
Weill Institute Main Parking Lot Replacement		415,000
Bakersfield Central Chiller Plant Replacement		724,933
Porterville Asphalt Plano Fire Lane		306,264
Other projects		369,991
Total	\$	2,962,521

13. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement will improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in GASB Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2015, will have on the District's financial statements, if any.

Kern Community College District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB. GASB Statement No. 75 replaces the requirements of GASB Statement No. 45. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2017, will have on the District's financial statements, if any.

REQUIRED SUPPLEMENTARY INFORMATION

Kern Community College District

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Year Ended June 30, 2015

District's proportion of the net pension liability (asset)	0.088%
District's proportionate share of the net pension liability (asset)	\$ 47,584,641
State's proportionate share of the net pension liability (asset) associated with the District	19,361,347
Total	\$ 66,945,988
District's covered-employee payroll	\$ 45,874,266
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	103.73%
Plan fiduciary net position as a percentage of the total pension liability	77.00%

See the accompanying note to the required supplementary information.

Kern Community College District**SCHEDULE OF DISTRICT CONTRIBUTIONS - CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**

Year Ended June 30, 2015

Contractually required contribution	\$	4,093,690
Contributions in relation to the contractually required contribution		(4,093,690)
Contribution deficiency (excess)	\$	-
<hr/>		
District's covered-employee payroll	\$	45,874,266
Contributions as a percentage of covered-employee payroll		8.92%
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See the accompanying note to the required supplementary information.

Kern Community College District

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

Year Ended June 30, 2015

District's proportion of the net pension liability (asset)	0.2014%
District's proportionate share of the net pension liability (asset)	\$ 22,463,999
District's covered-employee payroll	\$ 23,164,222
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.98%
Plan fiduciary net position as a percentage of the total pension liability	83.50%

See the accompanying note to the required supplementary information.

Kern Community College District**SCHEDULE OF DISTRICT CONTRIBUTIONS – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM**

Year Ended June 30, 2015

Contractually required contribution	\$	2,725,027
Contributions in relation to the contractually required contribution		(2,725,027)
Contribution deficiency (excess)	\$	-

District's covered-employee payroll	\$	23,164,222
Contributions as a percentage of covered-employee payroll		11.76%

See the accompanying note to the required supplementary information.

Kern Community College District

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Dates	February 1, 2010	June 30, 2012	July 1, 2014
Actuarial accrued liability (AAL)	\$ 67,675,250	\$ 89,874,408	\$ 79,171,854
Actuarial value of plan assets	84,044,523	87,973,160	82,494,253
Unfunded Actuarial Accrued Liability	\$ 16,369,273	\$ (1,901,248)	\$ 3,322,399
Funded ratio (actuarial value of plan assets/AAL)	124.19%	97.88%	104.20%
Covered payroll (active members)	\$ 48,163,240	\$ 48,401,148	\$ 65,324,448
UAAL as a percentage of covered payroll	33.99%	-3.93%	5.09%

Kern Community College District

NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

CHANGES OF BENEFIT TERMS

California State Teachers' Retirement System

The California Pension Employees' Pension Reform Act of 2013 (PEPRA) resulted in a new benefit formula, CalSTRS 2% at 62, for members first hired on or after January 1, 2013, to perform services that could be creditable to CalSTRS. Significant changes compared to the CalSTRS 2% at 60 benefit formula include raising the normal retirement age from 60 to 62 and placing a limit on creditable compensation to 120% of the Social Security wage base, annually adjusted for changes in the Consumer Price Index.

California Public Employees' Retirement System

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

CHANGES OF ASSUMPTIONS

California State Teachers' Retirement System

There were no changes in major assumptions from the June 30, 2013, actuarial valuation.

California Public Employees' Retirement System

In February 2014, the CalPERS Board adopted new actuarial assumptions. The most significant change to the actuarial assumptions that the Board adopted was the inclusion of future mortality improvement. The actuarial assumptions adopted by the Board are designed to ensure greater sustainability and soundness of the defined benefit pension plans, and will be better at predicting future experience resulting in more secure retirement benefits in the decades to come. The current experience study was based on demographic CalPERS data for years 1997 to 2011. The study focused on recent patterns of termination, death, disability, retirement and salary increases. These new assumptions were reflected in the total pension liabilities as of June 30, 2013. The 2013 liabilities were rolled forward to the measurement date of June 30, 2014, using standard update procedures.

OTHER SUPPLEMENTARY INFORMATION SECTION

Kern Community College District

ORGANIZATION STRUCTURE

June 30, 2015

BOARD OF TRUSTEES

Name	Office	Area	Term Expires
Mr. Dennis L. Beebe	President	Southwest Bakersfield	2016
Mrs. Kay Meek	Vice President	Southwest Bakersfield	2016
Mr. John S. Corkins	Member	Porterville	2018
Mr. Romero Abalog	Member	Northeastern Kern County	2016
Mr. Mark Storch	Clerk	Ridgecrest	2018
Dr. Richard Wright	Member	Central Bakersfield	2018
Mr. Kyle W. Carter	Member	Central Bakersfield	2018

ADMINISTRATION

Ms. Sandra V. Serrano
Chancellor

Mr. Thomas J. Burke
Chief Financial Officer

Mr. John Means
Associate Chancellor, Economic and Workforce Development

Mr. Ibrahim Ali
Vice Chancellor, Human Resources

Ms. Betty Inclan
Interim Vice Chancellor, Educational Services

Ms. Michele Bresso
Associate Vice Chancellor, Governmental and External Relations

Mr. Christopher Hines
General Counsel

Kern Community College District
 SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT ANNUAL ATTENDANCE
 June 30, 2015

The full-time equivalent resident students (FTES) eligible for 2015-16 state apportionment reported to the State of California are summarized below:

	Reported Data
Summer Intersession (Summer 2014 only)	
Noncredit	3.57
Credit	1,581.46
Summer Intersession (Summer 2015 - Prior to July 1, 2015)	
Noncredit	-
Credit	960.93
Primary Terms (Exclusive of Summer Intersession)	
Census Procedure Courses	
Weekly Census Contact Hours	12,670.67
Daily Census Contact Hours	757.88
Actual Hours of Attendance Procedure Courses	
Noncredit	49.54
Credit	1,618.88
Alternative Attendance Accounting Procedure	
Weekly Census Contact Hours	1,904.96
Daily Census Contact Hours	369.15
Noncredit Independent Study/Distance Education Courses	-
Subtotal Credit FTES	19,863.93
Subtotal Noncredit FTES	53.11
Total FTES	19,917.04

SUPPLEMENTARY INFORMATION (Subset of above information)

IN-SERVICE TRAINING COURSES (FTES)	494.29
Basic Skills Courses and Immigrant Education	
Noncredit	53.82
Credit	2,512.41
Centers FTES	
Noncredit	54.99
Credit	18,519.30

See the accompanying notes to the supplementary information.

Kern Community College District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through/ Grantor Number	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education			
Child Care Food Program	04352-CACFP-15-CC-CS	10.555	\$ 175,574
TOTAL U.S. DEPARTMENT OF AGRICULTURE			175,574
U.S. DEPARTMENT OF LABOR			
Trade Adjustment Assistance Community College and Career Training		17.282	1,320,916
TOTAL U.S. DEPARTMENT OF LABOR			1,320,916
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Supplemental Education Opportunity Grants		84.007	502,688
Federal Work-Study Program		84.033	540,894
Federal Pell Grant Program		84.063	42,188,104
Federal Direct Student Loans		84.268	3,084,058
Total Student Financial Assistance Cluster			46,315,744
Vocational Rehabilitation Cluster			
Rehabilitation Services - Vocational Rehabilitation Grants to States		84.126	176,628
Passed Through Chancellor's Office			
Foundation for California Community Colleges	P116J10075-12	84.116J	-
Career and Technical Education - Basic Grants to States	13-112-520 & 13-C01-023	84.048	795,329
Title III - Higher Education Institutional Aid	P03C110073, P03C110009, GRA-1834	84.031	1,508,523
TOTAL U.S. DEPARTMENT OF EDUCATION			48,796,224
NATIONAL SCIENCE FOUNDATION			
Education and Human Resources		47.076	118,580
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Education			
General Center - Child Care	CCTR3054	93.596	281,783
State Preschool	CSPP3116	93.596	229,437
Passed Through Chancellor's Office			
Child, Family, and Community Services - Foster Care - Title IV-E	10-2010	93.658	56,148
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			567,368
Total Expenditures of Federal Awards			\$ 50,978,662

See the accompanying notes to the supplementary information.

Kern Community College District
SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended June 30, 2015

	Program Revenues			
	Cash Received	Accounts Receivable	Deferred Revenue	Total
Extended Opportunity Programs and Services	\$ 1,950,067	\$ -	\$ -	\$ 1,950,067
CalGrants	3,234,088	672,511	-	3,906,599
Disabled Student Programs and Services	1,629,000	-	-	1,629,000
CalWORKS	573,530	-	-	573,530
Matriculation	2,769,463	-	-	2,769,463
Foster Parent	7,194	64,226	-	71,420
Project Care	257,495	-	-	257,495
BFAP	1,012,533	-	-	1,012,533
CTE Collaborative Projects	428,158	(387,023)	-	41,135
PC Development Center	350,655	-	-	350,655
Basic Skills	479,187	-	-	479,187
Enrollment Growth for Nursing	226,542	(44,480)	-	182,062
Prop 39 Clean Energy Workforce	293,676	(350,000)	-	(56,324)
All other categorical	2,236,038	-	-	2,236,038
Total State Programs	\$ 15,447,626	\$ (44,766)	\$ -	\$ 15,402,860

See the accompanying notes to the supplementary information.

Kern Community College District

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)

WITH AUDITED FINANCIAL STATEMENTS

June 30, 2015

	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
June 30, 2015 - Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 50,150,137	\$ 18,557,839	\$ 19,925,838	\$ 37,475	\$ 88,671,289
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District adjustments	-	-	-	-	-
Reclassification of amounts held for others	-	-	-	-	-
Rounding	(86)	1	-	1	(84)
Net Adjustments and Reclassifications	(86)	1	-	1	(84)
June 30, 2015 - District Accounting Records Fund Balance	\$ 50,150,051	\$ 18,557,840	\$ 19,925,838	\$ 37,476	\$ 88,671,205

See the accompanying notes to the supplementary information.

	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Bookstore Fund	Balance Forward
June 30, 2015 - Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 88,671,289	\$ 74,413	\$ 75,238,321	\$ -	\$ 163,984,023
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District adjustments	-	-	-	-	-
Reclassification of amounts held for others	-	-	-	-	-
Rounding	(84)	-	1	-	(83)
Net Adjustments and Reclassifications	(84)	-	1	-	(83)
June 30, 2015 - District Accounting Records Fund Balance	\$ 88,671,205	\$ 74,413	\$ 75,238,322	\$ -	\$ 163,983,940

See the accompanying notes to the supplementary information.

Kern Community College District
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH AUDITED FINANCIAL STATEMENTS
 June 30, 2015
 (Continued)

	Balance Brought Forward	Cafeteria Fund	Pay for Print	Student Financial Aid Fund	Other Trust Fund	Balance Forward
June 30, 2015 - Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 163,984,023	\$ 573,739	\$ -	\$ 33,681	\$ 9,220	\$ 164,600,663
Adjustment and reclassifications increasing (decreasing) the fund balance:						
District adjustments	-	-	-	-	-	-
Reclassification of amounts held for others	-	-	-	-	-	-
Rounding	(83)	1	-	1	(7)	(88)
Net Adjustments and Reclassifications	(83)	1	-	1	(7)	(88)
June 30, 2015 - District Accounting Records Fund Balance	\$ 163,983,940	\$ 573,740	\$ -	\$ 33,682	\$ 9,213	\$ 164,600,575

See the accompanying notes to the supplementary information.

	Balance Brought Forward	Associated Students Trust Fund	Student Representation Fee Trust Fund	Student Body Center Fee Trust Fund	Total
June 30, 2015 - Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 164,600,663	\$ 211,475	\$ 48,256	\$ 514,158	\$ 165,374,552
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District adjustments	-	87,609	-	-	87,609
Reclassification of amounts held for others	-	(299,084)	(48,256)	(514,158)	(861,498)
Rounding	(88)	-	-	-	(88)
Net Adjustments and Reclassifications	(88)	(211,475)	(48,256)	(514,158)	(773,977)
June 30, 2015 - District Accounting Records Fund Balance	\$ 164,600,575	\$ -	\$ -	\$ -	\$ 164,600,575

See the accompanying notes to the supplementary information.

Kern Community College District
RECONCILIATION OF 50% LAW CALCULATION
 June 30, 2015

	Object Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110				Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data	
ACADEMIC SALARIES								
Instructional Salaries								
Contract or regular	1100	\$ 26,849,602	\$ -	\$ 26,849,602	\$ 27,237,467	\$ -	\$ 27,237,467	
Other	1300	10,470,898	-	10,470,898	10,491,820	-	10,491,820	
Total Instructional Salaries		37,320,500	-	37,320,500	37,729,287	-	37,729,287	
Non-Instructional Salaries								
Contract or regular	1200	-	-	-	8,062,052	-	8,062,052	
Other	1400	-	-	-	432,776	-	432,776	
Total Non-Instructional Salaries		-	-	-	8,494,828	-	8,494,828	
TOTAL ACADEMIC SALARIES		37,320,500	-	37,320,500	46,224,115	-	46,224,115	
CLASSIFIED SALARIES								
Non-Instructional Salaries								
Regular status	2100	-	-	-	16,194,392	-	16,194,392	
Other	2300	-	-	-	545,828	-	545,828	
Total Non-Instructional Salaries		-	-	-	16,740,220	-	16,740,220	
Instructional Aides								
Regular status	2200	670,645	-	670,645	805,888	-	805,888	
Other	2400	971,430	-	971,430	45,548	-	45,548	
Total Instructional Aides		1,642,075	-	1,642,075	851,436	-	851,436	
TOTAL CLASSIFIED SALARIES		1,642,075	-	1,642,075	17,591,656	-	17,591,656	
Other								
Employee benefits	3000	8,547,636	-	8,547,636	18,155,343	-	18,155,343	
Supplies and materials	4000	-	-	-	1,557,123	-	1,557,123	
Other operating expenses	5000	600,058	-	600,058	12,112,958	-	12,112,958	
Equipment replacement	6420	-	-	-	1,856	-	1,856	
Total Other		9,147,694	-	9,147,694	31,827,280	-	31,827,280	
Total Expenditures Prior to Exclusions		\$ 48,110,269	\$ -	\$ 48,110,269	\$ 95,643,051	\$ -	\$ 95,643,051	

See the accompanying notes to the supplementary information.

Kern Community College District
RECONCILIATION OF 50% LAW CALCULATION
 June 30, 2015
 (Continued)

	Object Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
EXCLUSIONS							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	-
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	1,598	-	1,598
Non-instructional Staff Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Total Instructional Salaries		-	-	-	1,598	-	1,598
Objects to Exclude							
Rents and leases	5060	-	-	-	733,474	-	733,474
Lottery expenditures:							
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
Subtotal		-	-	-	733,474	-	733,474
Supplies and materials:	4000						
Software	4100	-	-	-	-	-	-
Books, magazines, and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	-	-	-
Non-instructional supplies and materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other operating expenses and services	5000	-	-	-	2,234,189	-	2,234,189
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Subtotal		-	-	-	2,234,189	-	2,234,189
Equipment	6400	-	-	-	44,000	-	-
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	44,000	-	44,000
Total Capital Outlay		-	-	-	44,000	-	44,000
Other outgo	7000	-	-	-	-	-	-
TOTAL EXCLUSIONS		-	-	-	3,013,261	-	3,013,261
Total for ECS 84362 - 50% Law		\$ 48,110,269	\$ -	\$ 48,110,269	\$ 92,629,790	\$ -	\$ 92,629,790
Percentage of CEE (Instructional Salary Cost/Total CEE)		51.94%	0.00%	51.94%			
50% of Current Expense of Education					\$ 46,314,900	\$ -	\$ 46,314,900

See the accompanying notes to the supplementary information.

Kern Community College District
RECONCILIATION OF EDUCATION PROTECTION
ACCOUNT EXPENDITURES
 June 30, 2015

	Object Code	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
EPA Proceeds	8630			\$	18,736,948
Activity Classification					
Instructional activities	0100-5900	\$ 18,736,948	\$ -	\$ -	18,736,948
Total Expenditures for EPA		\$ 18,736,948	\$ -	\$ -	18,736,948
Total Revenue Less Expenditures				\$	-

See the accompanying notes to the supplementary information.

Kern Community College District
COMBINING BALANCE SHEET – DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY

June 30, 2015	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 56,322,894	\$ -	\$ (4,353,768)	\$ 86,264	\$ 52,055,390
Accounts receivable - net	6,654,533	-	51,483	47,525	6,753,541
Prepaid expenses	341,604	-	-	-	341,604
Inventories	-	-	-	-	-
Due from other funds	97	6,736	4,797	-	11,630
Total Current Assets	63,319,128	6,736	(4,297,488)	133,789	59,162,165
Noncurrent Assets					
Restricted cash and cash equivalents - noncurrent	-	18,555,901	-	-	18,555,901
Restricted investments	-	-	24,223,326	-	24,223,326
Capital assets - net	456,563	-	-	-	456,563
Total Noncurrent Assets	456,563	18,555,901	24,223,326	-	43,235,790
TOTAL ASSETS	\$ 63,775,691	\$ 18,562,637	\$ 19,925,838	\$ 133,789	\$ 102,397,955
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 10,325,415	\$ -	\$ -	\$ 46,313	\$ 10,371,728
Advances from grantors and students	3,300,225	-	-	50,000	3,350,225
Due to other funds	-	4,797	-	-	4,797
Amounts held in trust for others	-	-	-	-	-
Total Liabilities	13,625,640	4,797	-	96,313	13,726,750
Fund Equity					
Fund balances:					
Reserved for debt service	-	18,557,840	19,925,838	-	38,483,678
Reserved for special purposes	-	-	-	37,476	37,476
Unreserved:					
Undesignated	50,150,051	-	-	-	50,150,051
Total Fund Equity	50,150,051	18,557,840	19,925,838	37,476	88,671,205
TOTAL LIABILITIES AND FUND EQUITY	\$ 63,775,691	\$ 18,562,637	\$ 19,925,838	\$ 133,789	\$ 102,397,955

See the accompanying notes to the supplementary information.

Kern Community College District
COMBINING BALANCE SHEET – DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY
(Continued)

June 30, 2015	Balance Brought Forward	Special Revenue Fund	Outlay Projects Fund	Bookstore Fund	Balance Forward
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 52,055,390	\$ 74,413	\$ 226,201	\$ -	\$ 52,356,004
Accounts receivable - net	6,753,541	-	4,214	-	6,757,755
Prepaid expenses	341,604	-	437,691	-	779,295
Inventories	-	-	-	-	-
Due from other funds	11,630	-	-	-	11,630
Total Current Assets	59,162,165	74,413	668,106	-	59,904,684
Noncurrent Assets					
Restricted cash and cash equivalents - noncurrent	18,555,901	-	76,133,385	-	94,689,286
Restricted investments	24,223,326	-	-	-	24,223,326
Capital assets - net	456,563	-	-	-	456,563
Total Noncurrent Assets	43,235,790	-	76,133,385	-	119,369,175
TOTAL ASSETS	\$ 102,397,955	\$ 74,413	\$ 76,801,491	\$ -	\$ 179,273,859
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 10,371,728	\$ -	\$ 1,452,010	\$ -	\$ 11,823,738
Advances from grantors and students	3,350,225	-	104,326	-	3,454,551
Due to other funds	4,797	-	6,833	-	11,630
Amounts held in trust for others	-	-	-	-	-
Total Liabilities	13,726,750	-	1,563,169	-	15,289,919
Fund Equity					
Fund balances:					
Reserved for debt service	38,483,678	-	-	-	38,483,678
Reserved for special purposes	37,476	74,413	75,238,322	-	75,350,211
Unreserved:					
Undesignated	50,150,051	-	-	-	50,150,051
Total Fund Equity	88,671,205	74,413	75,238,322	-	163,983,940
TOTAL LIABILITIES AND FUND EQUITY	\$ 102,397,955	\$ 74,413	\$ 76,801,491	\$ -	\$ 179,273,859

See the accompanying notes to the supplementary information.

Kern Community College District
COMBINING BALANCE SHEET – DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY
(Continued)

June 30, 2015	Balance Brought Forward	Cafeteria Fund	Pay for Print Fund	Student Financial Aid Fund	Balance Forward
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 52,356,004	\$ 561,297	\$ -	\$ 463	\$ 52,917,764
Accounts receivable - net	6,757,755	5,490	-	14,298	6,777,543
Prepaid expenses	779,295	-	-	-	779,295
Inventories	-	21,502	-	-	21,502
Due from other funds	11,630	-	-	-	11,630
Total Current Assets	59,904,684	588,289	-	14,761	60,507,734
Noncurrent Assets					
Restricted cash and cash equivalents - noncurrent	94,689,286	-	-	19,384	94,708,670
Restricted investments	24,223,326	-	-	-	24,223,326
Capital assets - net	456,563	-	-	-	456,563
Total Noncurrent Assets	119,369,175	-	-	19,384	119,388,559
TOTAL ASSETS	\$ 179,273,859	\$ 588,289	\$ -	\$ 34,145	\$ 179,896,293
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 11,823,738	\$ 14,549	\$ -	\$ -	\$ 11,838,287
Advances from grantors and students	3,454,551	-	-	463	3,455,014
Due to other funds	11,630	-	-	-	11,630
Amounts held in trust for others	-	-	-	-	-
Total Liabilities	15,289,919	14,549	-	463	15,304,931
Fund Equity					
Fund balances:					
Reserved for debt service	38,483,678	-	-	-	38,483,678
Reserved for special purposes	75,350,211	573,740	-	33,682	75,957,633
Unreserved:					
Undesignated	50,150,051	-	-	-	50,150,051
Total Fund Equity	163,983,940	573,740	-	33,682	164,591,362
TOTAL LIABILITIES AND FUND EQUITY	\$ 179,273,859	\$ 588,289	\$ -	\$ 34,145	\$ 179,896,293

See the accompanying notes to the supplementary information.

Kern Community College District
COMBINING BALANCE SHEET – DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY
(Continued)

June 30, 2015	Brought Forward	Other Trust Fund	Students Trust Fund	Representation Fee Trust Fund	Balance Forward
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 52,917,764	\$ 31,562	\$ -	\$ -	\$ 52,949,326
Accounts receivable - net	6,777,543	1,286,092	26,840	4	8,090,479
Prepaid expenses	779,295	-	-	-	779,295
Inventories	21,502	-	-	-	21,502
Due from other funds	11,630	-	-	-	11,630
Total Current Assets	60,507,734	1,317,654	26,840	4	61,852,232
Noncurrent Assets					
Restricted cash and cash equivalents - noncurrent	94,708,670	(1,240,091)	423,855	68,953	93,961,387
Restricted investments	24,223,326	-	-	-	24,223,326
Capital assets - net	456,563	-	-	-	456,563
Total Noncurrent Assets	119,388,559	(1,240,091)	423,855	68,953	118,641,276
TOTAL ASSETS	\$ 179,896,293	\$ 77,563	\$ 450,695	\$ 68,957	\$ 180,493,508
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 11,838,287	\$ 68,350	\$ 75,937	\$ 1,899	\$ 11,984,473
Advances from grantors and students	3,455,014	-	75,675	18,801	3,549,490
Due to other funds	11,630	-	-	-	11,630
Amounts held in trust for others	-	-	299,083	48,257	347,340
Total Liabilities	15,304,931	68,350	450,695	68,957	15,892,933
Fund Equity					
Fund balances:					
Reserved for debt service	38,483,678	-	-	-	38,483,678
Reserved for special purposes	75,957,633	9,213	-	-	75,966,846
Unreserved:					
Undesignated	50,150,051	-	-	-	50,150,051
Total Fund Equity	164,591,362	9,213	-	-	164,600,575
TOTAL LIABILITIES AND FUND EQUITY	\$ 179,896,293	\$ 77,563	\$ 450,695	\$ 68,957	\$ 180,493,508

See the accompanying notes to the supplementary information.

Kern Community College District
COMBINING BALANCE SHEET – DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY
(Continued)

June 30, 2015	Balance Brought Forward	Student Body Center Fee Trust Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 52,949,326	\$ -	\$ 52,949,326
Accounts receivable - net	8,090,479	-	8,090,479
Prepaid expenses	779,295	-	779,295
Inventories	21,502	-	21,502
Due from other funds	11,630	-	11,630
Total Current Assets	61,852,232	-	61,852,232
Noncurrent Assets			
Restricted cash and cash equivalents - noncurrent	93,961,387	589,004	94,550,391
Restricted investments	24,223,326	-	24,223,326
Capital assets - net	456,563	-	456,563
Total Noncurrent Assets	118,641,276	589,004	119,230,280
TOTAL ASSETS	\$ 180,493,508	\$ 589,004	\$ 181,082,512
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts payable	\$ 11,984,473	\$ 369	\$ 11,984,842
Advances from grantors and students	3,549,490	74,477	3,623,967
Due to other funds	11,630	-	11,630
Amounts held in trust for others	347,340	514,158	861,498
Total Liabilities	15,892,933	589,004	16,481,937
Fund Equity			
Fund balances:			
Reserved for debt service	38,483,678	-	38,483,678
Reserved for special purposes	75,966,846	-	75,966,846
Unreserved:			
Undesignated	50,150,051	-	50,150,051
Total Fund Equity	164,600,575	-	164,600,575
TOTAL LIABILITIES AND FUND EQUITY	\$ 180,493,508	\$ 589,004	\$ 181,082,512

See the accompanying notes to the supplementary information.

Kern Community College District
COMBINING SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,
AND CHANGES IN FUND EQUITY – DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY

Year Ended June 30, 2015	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
Operating Revenues					
Tuition and fees	\$ 26,126,606	\$ -	\$ -	\$ -	\$ 26,126,606
Less: Scholarship discount and allowance	17,374,822	-	-	-	17,374,822
Net Tuition and Fees	8,751,784	-	-	-	8,751,784
Grants and contracts - noncapital:					
Federal	5,252,016	-	-	686,794	5,938,810
State	15,829,796	-	-	1,281,896	17,111,692
Local	2,059,488	-	-	-	2,059,488
Auxiliary enterprise sales and charges	37,095	-	-	25,413	62,508
Other operating revenues	1,372,940	20,470,571	-	24,760	21,868,271
Total Operating Revenues	33,303,119	20,470,571	-	2,018,863	55,792,553
Operating Expenditures/Expenses					
Salaries	76,112,257	-	-	1,607,091	77,719,348
Employee benefits	20,915,667	-	-	654,574	21,570,241
Supplies, materials, and other operating expenditures	18,884,335	31,755	144,064	92,782	19,152,936
Capital outlay	2,371,295	-	-	-	2,371,295
Utilities	2,562,163	-	-	37,472	2,599,635
Payments to students	379,712	-	-	-	379,712
Total Operating Expenditures/Expenses	121,225,429	31,755	144,064	2,391,919	123,793,167
Operating Income (Loss)	(87,922,310)	20,438,816	(144,064)	(373,056)	(68,000,614)
Nonoperating Revenues (Expenditures)					
State apportionments - noncapital	34,031,297	-	-	-	34,031,297
Education protection account revenues	18,736,948	-	-	-	18,736,948
Local property taxes - noncapital	46,512,153	-	-	-	46,512,153
State taxes and other revenues - noncapital	4,347,933	82,127	-	-	4,430,060
Investment income - noncapital	194,902	-	-	29	194,931
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid disbursements	-	-	-	-	-
Other nonoperating expenditures/expenses	(1,028,923)	-	(20,977,842)	(15,000)	(22,021,765)
Total Nonoperating Revenues (Expenditures)	102,794,310	82,127	(20,977,842)	(14,971)	81,883,624
Income (Loss) Before Other Revenues and Expenditures/Expenses	14,872,000	20,520,943	(21,121,906)	(388,027)	13,883,010
Other Revenues and Expenditures					
Local property taxes and revenues - capital	-	10,580,920	-	-	10,580,920
State apportionments - capital	-	-	-	-	-
Investment income - capital	-	63,412	486,792	-	550,204
Excess of Revenues Over (Under) Expenditures/Expenses	14,872,000	31,165,275	(20,635,114)	(388,027)	25,014,134
Other Financing Sources (Uses)					
Operating transfers in	253,612	-	8,786,307	395,528	9,435,447
Operating transfers out	(3,392,547)	-	(7,771,452)	(29)	(11,164,028)
Debt service	(5,926,508)	(35,702,193)	-	-	(41,628,701)
Total Other Financing Sources (Uses)	(9,065,443)	(35,702,193)	1,014,855	395,499	(43,357,282)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	5,806,557	(4,536,918)	(19,620,259)	7,472	(18,343,148)
Fund Equity - Beginning of Year	44,343,494	23,094,758	39,546,097	30,004	107,014,353
Fund Equity - End of Year	\$ 50,150,051	\$ 18,557,840	\$ 19,925,838	\$ 37,476	\$ 88,671,205

See the accompanying notes to the supplementary information.

Kern Community College District
COMBINING SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,
AND CHANGES IN FUND EQUITY – DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY
(Continued)

Year Ended June 30, 2015	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Bookstore Fund	Balance Forward
Operating Revenues					
Tuition and fees	\$ 26,126,606	\$ -	\$ 59,452	\$ -	\$ 26,186,058
Less: Scholarship discount and allowance	17,374,822	-	-	-	17,374,822
Net Tuition and Fees	8,751,784	-	59,452	-	8,811,236
Grants and contracts - noncapital:					
Federal	5,938,810	-	-	-	5,938,810
State	17,111,692	-	587,163	-	17,698,855
Local	2,059,488	8,298	56,130	-	2,123,916
Auxiliary enterprise sales and charges	62,508	-	-	-	62,508
Other operating revenues	21,868,271	-	173,676	-	22,041,947
Total Operating Revenues	55,792,553	8,298	876,421	-	56,677,272
Operating Expenditures/Expenses					
Salaries	77,719,348	-	383,744	-	78,103,092
Employee benefits	21,570,241	-	145,757	-	21,715,998
Supplies, materials, and other operating expenditures	19,152,936	185,393	12,481,233	-	31,819,562
Capital outlay	2,371,295	-	895,315	-	3,266,610
Utilities	2,599,635	-	-	-	2,599,635
Payments to students	379,712	-	-	-	379,712
Total Operating Expenditures/Expenses	123,793,167	185,393	13,906,049	-	137,884,609
Operating Income (Loss)	(68,000,614)	(177,095)	(13,029,628)	-	(81,207,337)
Nonoperating Revenues (Expenditures)					
State apportionments - noncapital	34,031,297	-	-	-	34,031,297
Education protection account revenues	18,736,948	-	-	-	18,736,948
Local property taxes - noncapital	46,512,153	-	-	-	46,512,153
State taxes and other revenues - noncapital	4,430,060	-	-	-	4,430,060
Investment income - noncapital	194,931	-	-	-	194,931
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid disbursements	-	-	-	-	-
Other nonoperating expenditures/expenses	(22,021,765)	-	-	-	(22,021,765)
Total Nonoperating Revenues (Expenditures)	81,883,624	-	-	-	81,883,624
Income (Loss) Before Other Revenues and Expenditures/Expenses	13,883,010	(177,095)	(13,029,628)	-	676,287
Other Revenues and Expenditures					
Local property taxes and revenues - capital	10,580,920	-	-	-	10,580,920
State apportionments - capital	-	-	47,159	-	47,159
Investment income - capital	550,204	-	414,964	-	965,168
Excess of Revenues Over (Under) Expenditures/Expenses	25,014,134	(177,095)	(12,567,505)	-	12,269,534
Other Financing Sources (Uses)					
Operating transfers in	9,435,447	-	2,423,069	-	11,858,516
Operating transfers out	(11,164,028)	-	(716,747)	-	(11,880,775)
Debt service	(41,628,701)	-	-	-	(41,628,701)
Total Other Financing Sources (Uses)	(43,357,282)	-	1,706,322	-	(41,650,960)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	(18,343,148)	(177,095)	(10,861,183)	-	(29,381,426)
Fund Equity - Beginning of Year	107,014,353	251,508	86,099,505	-	193,365,366
Fund Equity - End of Year	\$ 88,671,205	\$ 74,413	\$ 75,238,322	\$ -	\$ 163,983,940

See the accompanying notes to the supplementary information.

Kern Community College District
COMBINING SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,
AND CHANGES IN FUND EQUITY – DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY
(Continued)

Year Ended June 30, 2015	Balance Brought Forward	Cafeteria Fund	Pay for Print Fund	Student Financial Aid Fund	Balance Forward
Operating Revenues					
Tuition and fees	\$ 26,186,058	\$ -	\$ -	\$ -	\$ 26,186,058
Less: Scholarship discount and allowance	17,374,822	-	-	-	17,374,822
Net Tuition and Fees	8,811,236	-	-	-	8,811,236
Grants and contracts - noncapital:					
Federal	5,938,810	-	-	(6,407)	5,932,403
State	17,698,855	-	-	-	17,698,855
Local	2,123,916	-	-	-	2,123,916
Auxiliary enterprise sales and charges	62,508	1,382,375	26,293	-	1,471,176
Other operating revenues	22,041,947	119,360.00	-	-	22,161,307
Total Operating Revenues	56,677,272	1,501,735	26,293	(6,407)	58,198,893
Operating Expenditures/Expenses					
Salaries	78,103,092	433,653	-	-	78,536,745
Employee benefits	21,715,998	199,811	-	-	21,915,809
Supplies, materials, and other operating expenditures	31,819,562	751,950	5,951	-	32,577,463
Capital outlay	3,266,610	-	-	-	3,266,610
Utilities	2,599,635	-	-	-	2,599,635
Payments to students	379,712	-	-	-	379,712
Total Operating Expenditures/Expenses	137,884,609	1,385,414	5,951	-	139,275,974
Operating Income (Loss)	(81,207,337)	116,321	20,342	(6,407)	(81,077,081)
Nonoperating Revenues (Expenditures)					
State apportionments - noncapital	34,031,297	-	-	-	34,031,297
Education protection account revenues	18,736,948	-	-	-	18,736,948
Local property taxes - noncapital	46,512,153	-	-	-	46,512,153
State taxes and other revenues - noncapital	4,430,060	-	-	-	4,430,060
Investment income - noncapital	194,931	-	-	-	194,931
Financial aid revenues - federal	-	-	-	509,095	509,095
Financial aid revenues - state	-	-	-	-	-
Financial aid disbursements	-	-	-	(502,688)	(502,688)
Other nonoperating expenditures/expenses	(22,021,765)	-	-	-	(22,021,765)
Total Nonoperating Revenues (Expenditures)	81,883,624	-	-	6,407	81,890,031
Income (Loss) Before Other Revenues and Expenditures/Expenses	676,287	116,321	20,342	-	812,950
Other Revenues and Expenditures					
Local property taxes and revenues - capital	10,580,920	-	-	-	10,580,920
State apportionments - capital	47,159	-	-	-	47,159
Investment income - capital	965,168	-	-	-	965,168
Excess of Revenues Over (Under) Expenditures/Expenses	12,269,534	116,321	20,342	-	12,406,197
Other Financing Sources (Uses)					
Operating transfers in	11,858,516	71,908	-	-	11,930,424
Operating transfers out	(11,880,775)	-	(18,912)	-	(11,899,687)
Debt service	(41,628,701)	-	-	-	(41,628,701)
Total Other Financing Sources (Uses)	(41,650,960)	71,908	(18,912)	-	(41,597,964)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	(29,381,426)	188,229	1,430	-	(29,191,767)
Fund Equity - Beginning of Year	193,365,366	385,511	(1,430)	33,682	193,783,129
Fund Equity - End of Year	\$ 163,983,940	\$ 573,740	\$ -	\$ 33,682	\$ 164,591,362

See the accompanying notes to the supplementary information.

Kern Community College District
COMBINING SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,
AND CHANGES IN FUND EQUITY – DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY
(Continued)

Year Ended June 30, 2015	Balance Brought Forward	Other Trust Fund	Associated Students Trust Fund	Student Representation Fee Trust Fund	Balance Forward
Operating Revenues					
Tuition and fees	\$ 26,186,058	\$ -	\$ -	\$ -	\$ 26,186,058
Less: Scholarship discount and allowance	17,374,822	-	-	-	17,374,822
Net Tuition and Fees	8,811,236	-	-	-	8,811,236
Grants and contracts - noncapital:					
Federal	5,932,403	-	-	-	5,932,403
State	17,698,855	-	-	-	17,698,855
Local	2,123,916	-	-	-	2,123,916
Auxiliary enterprise sales and charges	1,471,176	-	-	-	1,471,176
Other operating revenues	22,161,307	-	-	-	22,161,307
Total Operating Revenues	58,198,893	-	-	-	58,198,893
Operating Expenditures/Expenses					
Salaries	78,536,745	-	-	-	78,536,745
Employee benefits	21,915,809	(13,601)	-	-	21,902,208
Supplies, materials, and other operating expenditures	32,577,463	35,129	-	-	32,612,592
Capital outlay	3,266,610	(21,520)	-	-	3,245,090
Utilities	2,599,635	-	-	-	2,599,635
Payments to students	379,712	-	-	-	379,712
Total Operating Expenditures/Expenses	139,275,974	8	-	-	139,275,982
Operating Income (Loss)	(81,077,081)	(8)	-	-	(81,077,089)
Nonoperating Revenues (Expenditures)					
State apportionments - noncapital	34,031,297	-	-	-	34,031,297
Education protection account revenues	18,736,948	-	-	-	18,736,948
Local property taxes	46,512,153	-	-	-	46,512,153
State taxes and other revenues - noncapital	4,430,060	-	-	-	4,430,060
Investment income - noncapital	194,931	-	-	-	194,931
Financial aid revenues - federal	509,095	45,208,237	-	-	45,717,332
Financial aid revenues - state	-	3,906,599	-	-	3,906,599
Financial aid disbursements	(502,688)	(49,085,417)	-	-	(49,588,105)
Other nonoperating expenditures/expenses	(22,021,765)	-	-	-	(22,021,765)
Total Nonoperating Revenues (Expenditures)	81,890,031	29,419	-	-	81,919,450
Income (Loss) Before Other Revenues and Expenditures/Expenses	812,950	29,411	-	-	842,361
Other Revenues and Expenditures					
Local property taxes and revenues - capital	10,580,920	-	-	-	10,580,920
State apportionments - capital	47,159	-	-	-	47,159
Investment income - capital	965,168	-	-	-	965,168
Excess of Revenues Over (Under) Expenditures/Expenses	12,406,197	29,411	-	-	12,435,608
Other Financing Sources (Uses)					
Operating transfers in	11,930,424	-	-	-	11,930,424
Operating transfers out	(11,899,687)	(30,737)	-	-	(11,930,424)
Debt service	(41,628,701)	-	-	-	(41,628,701)
Total Other Financing Sources (Uses)	(41,597,964)	(30,737)	-	-	(41,628,701)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	(29,191,767)	(1,326)	-	-	(29,193,093)
Fund Equity - Beginning of Year	193,783,129	10,539	-	-	193,793,668
Fund Equity - End of Year	\$ 164,591,362	\$ 9,213	\$ -	\$ -	\$ 164,600,575

See the accompanying notes to the supplementary information.

Kern Community College District
COMBINING SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,
AND CHANGES IN FUND EQUITY – DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY
(Continued)

Year Ended June 30, 2015	Balance Brought Forward	Student Body Center Fee Trust Fund	Total
Operating Revenues			
Tuition and fees	\$ 26,186,058	\$ -	\$ 26,186,058
Less: Scholarship discount and allowance	17,374,822	-	17,374,822
Net Tuition and Fees	8,811,236	-	8,811,236
Grants and contracts - noncapital:			
Federal	5,932,403	-	5,932,403
State	17,698,855	-	17,698,855
Local	2,123,916	-	2,123,916
Auxiliary enterprise sales and charges	1,471,176	-	1,471,176
Other operating revenues	22,161,307	-	22,161,307
Total Operating Revenues	58,198,893	-	58,198,893
Operating Expenditures/Expenses			
Salaries	78,536,745	-	78,536,745
Employee benefits	21,902,208	-	21,902,208
Supplies, materials, and other operating expenditures	32,612,592	-	32,612,592
Capital outlay	3,245,090	-	3,245,090
Utilities	2,599,635	-	2,599,635
Payments to students	379,712	-	379,712
Total Operating Expenditures/Expenses	139,275,982	-	139,275,982
Operating Income (Loss)	(81,077,089)	-	(81,077,089)
Nonoperating Revenues (Expenditures)			
State apportionments - noncapital	34,031,297	-	34,031,297
Education protection account revenues	18,736,948	-	18,736,948
Local property taxes	46,512,153	-	46,512,153
State taxes and other revenues - noncapital	4,430,060	-	4,430,060
Investment income - noncapital	194,931	-	194,931
Financial aid revenues - federal	45,717,332	-	45,717,332
Financial aid revenues - state	3,906,599	-	3,906,599
Financial aid disbursements	(49,588,105)	-	(49,588,105)
Other nonoperating expenditures/expenses	(22,021,765)	-	(22,021,765)
Total Nonoperating Revenues (Expenditures)	81,919,450	-	81,919,450
Income (Loss) Before Other Revenues and Expenditures/Expenses	842,361	-	842,361
Other Revenues and Expenditures			
Local property taxes and revenues - capital	10,580,920	-	10,580,920
State apportionments - capital	47,159	-	47,159
Investment income - capital	965,168	-	965,168
Excess of Revenues Over (Under) Expenditures/Expenses	12,435,608	-	12,435,608
Other Financing Sources (Uses)			
Operating transfers in	11,930,424	-	11,930,424
Operating transfers out	(11,930,424)	-	(11,930,424)
Debt service	(41,628,701)	-	(41,628,701)
Total Other Financing Sources (Uses)	(41,628,701)	-	(41,628,701)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	(29,193,093)	-	(29,193,093)
Fund Equity - Beginning of Year	193,793,668	-	193,793,668
Fund Equity - End of Year	\$ 164,600,575	\$ -	\$ 164,600,575

See the accompanying notes to the supplementary information.

Kern Community College District
RECONCILIATION OF FUND EQUITY TO NET POSITION
 June 30, 2015

Total Fund Equity - District Funds Included in the Reporting Entity		\$ 164,600,575
Assets recorded within the GASB 35 Statement of Net Position not included in the District fund financial statements:		
Depreciable capital assets	\$ 322,595,828	
Accumulated depreciation	(103,697,390)	218,898,438
Nondepreciable capital assets		50,374,592
Other postemployment benefits obligation		51,513,364
Deferred outflows related to pensions		7,122,103
Deferred loss on refunding		3,092,884
Liabilities recorded within the GASB 35 Statement of Net Position not recorded in the District fund financial statements:		
Accounts payable:		
Interest payable		(2,766,315)
Retentions payable		(1,008,480)
Pension liabilities		(70,048,640)
Compensated absences		(2,707,720)
Other long-term liabilities		(313,818,973)
Deferred Inflows related to pensions		(20,519,459)
Net Assets Reported Within the GASB 35 Statement of Net Position		\$ 84,732,369

See the accompanying notes to the supplementary information.

Kern Community College District

RECONCILIATION OF CHANGE IN FUND EQUITY TO CHANGE IN NET POSITION

June 30, 2015

Total Net Change in Fund Equity - District Funds Included in the Reporting Entity	\$ (29,193,093)
Compensated absence expense reduction reported within the GASB 35 Statements	(266,360)
Change in pension expense related to GASB 68	4,426,913
Depreciation expense reported within the GASB 35 Statements	(6,660,633)
Amortization of bond premium cost reported within the GASB 35 Statements	742,864
Amortization of deferred loss on refunding within the GASB 35 Statements	(598,702)
Capital outlay expense not reported within the GASB 35 Statements	13,077,883
Capitalized interest reported within the GASB 35 Statements	925,318
Decrease in excess insurance reserve reported within the GASB 35 Statements	(931,153)
Decrease in interest expense for capital asset related debt reported within the GASB 35 Statements	658,134
Principal payments on debt not reported within the GASB 35 Statements	26,218,966
Prepaid expense of other postemployment benefits reported within the GASB 35 Statements	(5,522,564)
Net Change in Net Position Reported Within the GASB 35 Statement of Revenues, Expenses, and Changes in Net Assets	\$ 2,877,573

See the accompanying notes to the supplementary information.

1. PURPOSE OF SCHEDULES

Schedule of Workload Measures for State General Apportionment

The Schedule of Workload Measures for State General Apportionment Annualized Attendance as of June 30, 2015, represents the basis of apportionment of the District's annual source of funding.

Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards

The audit of the District for the year ended June 30, 2015, was conducted in accordance with OMB Circular A-133, which requires disclosure of the financial activities of all federally funded programs. To comply with OMB Circular A-133 and state requirements, the Schedule of Expenditures of Federal Awards and Schedule of State Awards were prepared for the District.

The schedules have been prepared on the accrual basis of accounting.

Reconciliation of Annual Financial and Budget Report (CCFS-311) With District 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 accounting records.

Reconciliation of 50% Law Calculation

This schedule provides the information necessary to reconcile the 50% law calculation as reported on the Form CCFS-311 to the audited financial statements.

Reconciliation of Education Protection Account Expenditures

This schedule provides the information necessary to reconcile the Education Protection Account Expenditures reported on the Form CCFS-311 to the audited financial statements.

2. COMBINING FINANCIAL STATEMENTS SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The accompanying Combining Balance Sheet – District Funds Included in the Reporting Entity, Combining Schedule of Revenues, Expenditures/Expenses, and Changes in Fund Equity – District Funds Included in the Reporting Entity are presented on the modified accrual basis of accounting with the exception of the Bookstore and Cafeteria Funds, which are presented on the accrual basis of accounting consistent with the presentation in the entity-wide financial statements.

Kern Community College District
NOTES TO THE SUPPLEMENTARY INFORMATION
(Continued)

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property taxes available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Property taxes, franchise taxes, licenses, interest revenue, and charges for services are susceptible to accrual. Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

The District reports advances from grantors and students on its combining balance sheet. Advances from grantors and students arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Advances from grantors and students also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for advances from grantors and students is removed and revenue is recognized.

OTHER REPORTS SECTION

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

To the Board of Trustees
Kern Community College District
Bakersfield, California

We have audited, 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, the financial statements of the business-type activities of Kern Community College District (the District) as of and for the year ended June 30, 2015; and the related notes to the financial statements, which collectively comprise the District's basic financial statements; and have issued our report thereon dated December 18, 2015.

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 over financial reporting 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.

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

(Continued)

Compliance and Other Matters

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

Purpose of This Report

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

KCoe Team, LLP

December 18, 2015
Redding, California

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Trustees
Kern Community College District
Bakersfield, California

Report on Compliance for Each Major Federal Program

We have audited Kern Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *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, 2015. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

(Continued)

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, 2015.

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 OMB Circular A-133, 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.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

(Continued)

Purpose of This Report

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 the testing, based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KCoe Jam, LLP

December 18, 2015
Redding, California

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Trustees
Kern Community College District
Bakersfield, California

Compliance

We have audited the Kern Community College District's (the District) compliance with the types of state compliance requirements described in the *California Community Colleges Contracted District Audit Manual 2014-15*, published by the California Community Colleges Chancellor's Office, for the year ended June 30, 2015. The applicable state compliance requirements are identified in the table below.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the District's management.

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance with the state laws and regulations based on our audit.

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 *California Community Colleges Contracted District Audit Manual 2014-15*, published by the California Community Colleges Chancellor's Office. Those standards and the *California Community Colleges Contracted District Audit Manual 2014-15* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination of the District's compliance with those requirements.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

SALARIES OF CLASSROOM INSTRUCTORS: 50 PERCENT LAW
APPORTIONMENT FOR INSTRUCTIONAL SERVICE AGREEMENTS/CONTRACTS
STATE GENERAL APPORTIONMENT FUNDING SYSTEM
RESIDENCY DETERMINATION FOR CREDIT COURSES
STUDENTS ACTIVELY ENROLLED
CONCURRENT ENROLLMENT OF K-12 STUDENTS IN COMMUNITY COLLEGE CREDIT COURSES
SCHEDULED MAINTENANCE PROGRAM
GANN LIMIT CALCULATION
OPEN ENROLLMENT
STUDENT FEES - HEALTH FEES AND USE OF HEALTH FEE FUNDS
PROPOSITION 39 - CLEAN ENERGY
INTERSESSION EXTENSION PROGRAM
EXTENDED OPPORTUNITY PROGRAMS AND SERVICES (EOPS) AND
COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE)
DISABLED STUDENT PROGRAMS AND SERVICES (DSPS)
TO BE ARRANGED HOURS (TBA)
PROPOSITION 1D STATE BOND FUNDED PROJECTS
PROPOSITION 30 EDUCATION PROTECTION ACCOUNT FUNDS

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the state laws and regulations referred to above that are applicable to the District for the year ended June 30, 2015.

KCoe Isom, LLP

December 18, 2015
Redding, California

FINDINGS AND QUESTIONED COSTS SECTION

Kern Community College District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2015

SECTION I
SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major program:	Unmodified
Audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	No
Identification of major programs:	
CFDA No. 84.007	Student Financial Assistance Cluster
CFDA No. 84.033	Student Financial Assistance Cluster
CFDA No. 84.063	Student Financial Assistance Cluster
CFDA No. 84.268	Student Financial Assistance Cluster
CFDA No. 84.048	Career and Technical Education – Basic Grants to States
CFDA No. 93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Funds
Threshold for distinguishing types A and B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for state programs:	Unmodified

Kern Community College District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

SECTION II FINDINGS
FINANCIAL STATEMENTS AUDIT

None.

Kern Community College District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

SECTION III FINDINGS
FEDERAL AWARDS AUDIT

None.

SECTION IV FINDINGS
STATE AWARDS AUDIT

None.

Kern Community College District

CORRECTIVE ACTION PLAN

June 30, 2015

Not applicable: there are no current-year findings related to federal awards.

Kern Community College District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2015

None.