

# **Kern Community College District**

**Bakersfield, California**

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORTS

**June 30, 2018**



K · C O E  
I S O M

# Kern Community College District

## TABLE OF CONTENTS

June 30, 2018

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	<b><u>Page Number</u></b>
Independent Auditors' Report	1
 <b>FINANCIAL SECTION</b>	
<b>Required Supplementary Information</b>	
Management's Discussion and Analysis	5
<b>Basic Financial Statements</b>	
Statement of Net Position	8
Statement of Revenues, Expenses, and Changes in Net Position	10
Statement of Cash Flows	12
Notes to the Financial Statements	14
<b>Required Supplementary Information</b>	
Schedule of Changes in the Net OPEB Liability and Related Ratios	47
Schedule of Investment Returns – OPEB	48
Schedule of District's Proportionate Share of the Net Pension Liability – California State Teachers' Retirement System	49
Schedule of District Contributions - California State Teachers' Retirement System	50
Schedule of District's Proportionate Share of the Net Pension Liability – California Public Employees' Retirement System	51
Schedule of District Contributions - California Public Employees' Retirement System	52
Notes to the Required Supplementary Information	53
 <b>OTHER SUPPLEMENTARY INFORMATION SECTION</b>	
Organization Structure	56
Schedule of Workload Measures for State General Apportionment Annual Attendance	57
Schedule of Expenditures of Federal Awards	58
Schedule of Expenditures of State Awards	59
Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements	60
Reconciliation of 50% Law Calculation	62
Reconciliation of Education Protection Account Expenditures	64
Combining Balance Sheet – District Funds Included in the Reporting Entity	65
Combining Schedule of Revenues, Expenditures/Expenses, and Changes in Fund Equity – District Funds Included in the Reporting Entity	70
Reconciliation of Fund Equity to Net Position	75
Reconciliation of Change in Fund Equity to Change in Net Position	76
Notes to the Other Supplementary Information	77

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# Kern Community College District

## TABLE OF CONTENTS

June 30, 2018

---

**Page  
Number**

### **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 <i>Government Auditing Standards</i>	80
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	82
Independent Auditors' Report on State Compliance	85

### **FINDINGS AND QUESTIONED COSTS SECTION**

Schedule of Findings and Questioned Costs	88
Corrective Action Plan	90
Summary Schedule of Prior Audit Findings	91

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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, 2018; 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, 2018; 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.

### **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 7 and the required supplementary information on pages 47 to 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information** Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information on pages 56 to 78, and the schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 57 to 78 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.

## INDEPENDENT AUDITORS' REPORT

(Continued)

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 17, 2018, 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 17, 2018  
Redding, California

## **FINANCIAL SECTION**

## **OVERVIEW**

The 2017-18 California state budget continued to provide increased resources for the state's community colleges. The state's economy is continuing to expand providing additional tax revenues available for state funded programs. The District accordingly experienced continued growth in its funding resources.

The District continues to take a conservative approach to the changes occurring at the state. Fiscal year 2018-19 began the first year of the new Student Centered Funding Formula which changes the state funding from being based wholly on enrollment, to additionally incorporating student success and equity. The objective of the new funding formula is to mitigate the challenges that the system has long struggled to address institutionally.

The current economic state recovery is in its tenth 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.

In the November 2016 election, Bond Measure J in the amount of \$502 million passed. In June 2017, the District issued the first \$40 million of Measure J bonds, and in September 2018, the District issued an additional \$71 million.

## **STATEMENT OF NET POSITION**

Overall the District's net position decreased by \$56 million; decreasing from \$99 million to \$43 million. There is a cumulative effect of an accounting principle change that decreased the District's beginning net position by \$54.6 million. This change is due to the new requirement for districts to reflect their net OPEB liability in the financial statements. The comparative financial statements for both 2017 and 2018 have been adjusted for this significant change. For fiscal year 2018, the District's expenditures exceeded revenues resulting in a decrease in net position of \$1.4 million, decreasing from \$44.4 million to \$43.0 million.

The District's total assets and deferred outflows increased by \$17.7 million. This change is largely due to an increase in depreciable capital assets of \$7 million due to completion of several construction projects, and an increase in deferred outflows for pensions of \$14.4 million. These increases were partially offset by decreases in non-depreciable capital assets of \$3.4 million.

The District's total liabilities and deferred inflows increased \$19.1 million. This increase is primarily due to an increase in pension liabilities of \$19.5 million, an increase in accounts payable of \$800 thousand, an increase in other post-retirement liability of \$4 million, and an increase in deferred inflow of resources of \$4.1 million. These increases were partially offset by a \$9.3 million decrease in long-term debt.



**Kern Community College District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

June 30	2018	2017	Change
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 166,980,938	\$ 163,164,852	\$ 3,816,086
Accounts receivable - net	12,353,030	12,427,511	(74,481)
Prepaid expenses	1,013,324	436,382	576,942
Inventories	15,911	25,730	(9,819)
<b>Total Current Assets</b>	<b>180,363,203</b>	<b>176,054,475</b>	<b>4,308,728</b>
Noncurrent assets:			
Restricted cash and cash equivalents	44,060,616	48,602,199	(4,541,583)
Restricted investments	17,854,927	17,851,163	3,764
Nondepreciable capital assets	55,174,770	58,606,217	(3,431,447)
Depreciable capital assets - net	239,633,641	232,652,839	6,980,802
<b>Total Noncurrent Assets</b>	<b>356,723,954</b>	<b>357,712,418</b>	<b>* (988,464)</b>
<b>Total Assets</b>	<b>537,087,157</b>	<b>533,766,893</b>	<b>* 3,320,264</b>
<b>Deferred Outflow of Resources</b>	<b>\$ 51,938,960</b>	<b>\$ 37,586,146</b>	<b>\$ 14,352,814</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 21,507,757	\$ 20,708,912	\$ 798,845
Advances from grantors and students	17,065,333	17,318,890	(253,557)
Compensated absences - current portion	1,844,873	1,547,764	297,109
Long-term debt - current portion	28,898,138	11,233,645	17,664,493
Amounts held in trust for others	1,055,288	1,030,709	24,579
<b>Total Current Liabilities</b>	<b>70,371,389</b>	<b>51,839,920</b>	<b>18,531,469</b>
Noncurrent liabilities:			
Compensated absences - noncurrent portion	1,371,052	1,481,025	(109,973)
Net other postemployment benefits liability	17,217,811	13,238,622	* 3,979,189
Net pension liabilities	144,189,196	124,666,887	19,522,309
Long-term debt - noncurrent portion	305,477,539	332,450,829	(26,973,290)
<b>Total Noncurrent Liabilities</b>	<b>468,255,598</b>	<b>471,837,363</b>	<b>* (3,581,765)</b>
<b>Total Liabilities</b>	<b>538,626,987</b>	<b>523,677,283</b>	<b>* 14,949,704</b>
<b>Deferred Inflow of Resources</b>	<b>\$ 7,406,599</b>	<b>\$ 3,289,005</b>	<b>\$ 4,117,594</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 82,222,199	\$ 93,659,711	\$ (11,437,512)
Restricted - expendable	58,192,525	36,904,938	21,287,587
Unrestricted	(97,422,193)	(86,177,898)	* (11,244,295)
<b>Total Net Position</b>	<b>\$ 42,992,531</b>	<b>\$ 44,386,751</b>	<b>* \$ (1,394,220)</b>

\* As restated for implementation of GASB Statement No. 75, as amended by GASB Statement No. 85

**Kern Community College District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

Overall the District's net position decreased by \$1.4 million, decreasing from \$44.4 million to \$43 million. This decrease was primarily due to the increases and decreases in revenues and expenditures as described below.

Expenditures of \$277.8 million exceeded revenues of \$276.4 million, resulting in a decrease in net position of \$1.4 million. Revenues increased \$33.5 million from the prior year. This change was primarily due to increases of financial aid revenues of \$6 million, other non-operating revenues of \$2.2 million, investment income of \$1 million and local property taxes (capital and non-capital) of \$31.6 million; offset by decreases in State appropriations non-capital of \$9.3 million and State taxes and other revenues of \$900 thousand.

Expenditures increased a net \$34 million from the prior year. This change was primarily due to increases in financial aid of \$6 million, salaries and benefit costs of \$15.5 million due to staffing and salary increases and increases in benefits, and an increase in supplies, materials, utilities and other expenses of \$11 million.

Years Ended June 30	2018	2017	Change	% Change
Operating revenues	\$ 51,003,862	\$ 48,524,559	\$ 2,479,303	5.1%
Operating expenses	208,254,299	180,037,480	28,216,819	15.7%
Operating loss	(157,250,437)	(131,512,921)	(25,737,516)	19.6%
Nonoperating revenues and expenses	137,381,676	131,994,079	5,387,597	4.1%
<b>Income (Loss) Before Other Revenue and Expenses</b>	(19,868,761)	481,158	(20,349,919)	-4229.4%
Other revenue and expenses	18,474,541	(1,594,108)	20,068,649	-1258.9%
<b>Change in Net Position</b>	\$ (1,394,220)	\$ (1,112,950)	\$ (281,270)	25.3%

Years Ended June 30	2018	2017	Change	% Change
Cash received from operations	\$ 49,446,843	\$ 53,057,866	\$ (3,611,023)	-6.8%
Cash expended for operations	(184,288,058)	(162,162,989)	(22,125,069)	13.6%
<b>Net Cash Used by Operating Activities</b>	(134,841,215)	(109,105,123)	(25,736,092)	23.6%
Net cash provided by noncapital financing activities	136,474,665	131,459,882	5,014,783	3.8%
Net cash provided by (used in) capital and related financing activities	(3,739,008)	22,052,145	(25,791,153)	-117.0%
Net cash provided by investing activities	1,380,061	943,539	436,522	46.3%
<b>Net Change in Cash and Cash Equivalents</b>	(725,497)	45,350,443	(46,075,940)	-101.6%
<b>Cash and Cash Equivalents - Beginning of Year</b>	211,767,051	166,416,608	45,350,443	27.3%
<b>Cash and Cash Equivalents - End of Year</b>	\$ 211,041,554	\$ 211,767,051	\$ (725,497)	-0.3%

**Kern Community College District**  
STATEMENT OF NET POSITION

June 30, 2018

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**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 106,129,744
Restricted cash and cash equivalents	60,851,194
Accounts receivable - net	12,353,030
Prepaid expenses	1,013,324
Inventories	15,911

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**Total Current Assets** 180,363,203

**Noncurrent Assets**

Restricted cash and cash equivalents	44,060,616
Restricted investments	17,854,927
Depreciable capital assets - net	239,633,641
Nondepreciable capital assets	55,174,770

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**Total Noncurrent Assets** 356,723,954

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**TOTAL ASSETS** 537,087,157

**Deferred Outflow of Resources**

Deferred outflow related to pensions	49,568,849
Deferred loss on refunding - net	2,370,111

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**Total Deferred Outflow of Resources** \$ 51,938,960

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

**Kern Community College District**

## STATEMENT OF NET POSITION

(Continued)

June 30, 2018

**LIABILITIES****Current Liabilities**

Accounts payable	\$ 21,507,757
Advances from grantors and students	17,065,333
Compensated absences - current portion	1,844,873
Long-term debt - current portion	28,898,138
Amounts held in trust for others	1,055,288

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**Total Current Liabilities** 70,371,389**Noncurrent Liabilities**

Compensated absences - noncurrent portion	1,371,052
Net other postemployment benefit liability	17,217,811
Net pension liabilities	144,189,196
Long-term debt - noncurrent portion	305,477,539

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**Total Noncurrent Liabilities** 468,255,598

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**TOTAL LIABILITIES** 538,626,987**Deferred Inflow of Resources**

Deferred inflow related to pensions	7,406,599
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**NET POSITION**

Net investment in capital assets	82,222,199
Restricted - expendable	58,192,525
Unrestricted	(97,422,193)

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**TOTAL NET POSITION** \$ 42,992,531

*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, 2018

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<b>Operating Revenues</b>	
Tuition and fees	\$ 30,134,836
Less: Scholarship discounts and allowances	20,459,625
<hr/>	
<b>Net Tuition and Fees</b>	9,675,211
Grants and contracts - noncapital:	
Federal	2,886,566
State	33,937,523
Local	2,364,853
Auxiliary enterprise sales and charges	1,783,595
Other operating revenue	356,114
<hr/>	
<b>Total Operating Revenues</b>	51,003,862
<hr/>	
<b>Operating Expenses</b>	
Salaries	101,876,085
Employee benefits	49,787,927
Supplies, materials, and other operating expenses	44,085,144
Utilities	3,293,503
Depreciation	8,321,201
Payments to students	890,439
<hr/>	
<b>Total Operating Expenses</b>	208,254,299
<hr/>	
<b>Operating Loss</b>	\$ (157,250,437)

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

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

(Continued)

Year Ended June 30, 2018

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<b>Nonoperating Revenues (Expenses)</b>	
State apportionments - noncapital	\$ 44,614,006
Education protection account revenues - noncapital	18,685,917
Local property taxes - noncapital	64,016,036
State taxes and other revenues - noncapital	6,284,804
Investment income - noncapital	1,383,826
Financial aid revenues - federal	48,205,627
Financial aid revenues - state	6,741,621
Financial aid disbursements	(54,947,248)
Other nonoperating revenues (expenses) - noncapital	2,397,087
<b>Total Nonoperating Revenues (Expenses)</b>	<b>137,381,676</b>
<b>Income Before Other Revenues and Expenses</b>	<b>(19,868,761)</b>
<b>Other Revenues, Expenses, Gains, or Losses</b>	
Local property taxes and revenues - capital	31,810,266
Investment income - capital	1,267,375
Interest expense - capital asset-related debt	(14,603,100)
<b>Total Other Revenues, Expenses, Gains, or Losses</b>	<b>18,474,541</b>
<b>Change in Net Position</b>	<b>(1,394,220)</b>
<b>Net Position - Beginning of Year - as Previously Reported</b>	<b>98,997,474</b>
Cumulative effect of change in accounting principles	(54,610,723)
<b>Net Position - Beginning of Year - as Restated</b>	<b>44,386,751</b>
<b>Net Position - End of Year</b>	<b>\$ 42,992,531</b>

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

**Kern Community College District**  
**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2018

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and fees	\$ 11,500,844
Federal grants and contracts	548,465
State grants and contracts	30,320,592
Local grants and contracts	4,660,723
Payments to/on behalf of employees	(100,563,282)
Payments for benefits	(36,795,550)
Payments for scholarships and grants	(890,439)
Payments to suppliers	(42,745,284)
Payments for utilities	(3,293,503)
Auxiliary enterprise sales and charges	1,783,595
Other receipts	632,624

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**NET CASH USED IN OPERATING ACTIVITIES** (134,841,215)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State apportionments - noncapital	44,614,006
Education protection account revenues	18,685,917
Local property taxes	64,016,036
Financial aid revenues - federal	48,205,627
Financial aid revenues - state	6,741,621
Financial aid disbursements	(54,947,248)
State taxes and other revenues	6,761,619
Other receipts (payments)	2,397,087

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**NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES** 136,474,665

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Local property taxes - capital	31,810,266
Purchases of capital assets	(13,895,648)
Interest paid on capital debt	(11,685,442)
Interest on investments - capital	1,267,375
Principal paid on capital debt	(11,235,559)

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**NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES** \$ (3,739,008)

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

**Kern Community College District**  
**STATEMENT OF CASH FLOWS**  
(Continued)

Year Ended June 30, 2018

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**CASH FLOWS FROM INVESTING ACTIVITIES**

Sale of investments	\$ 5,703,196
Purchase of investments	(5,706,961)
Interest on investments - noncapital	1,383,826

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**NET CASH PROVIDED BY INVESTING ACTIVITIES** 1,380,061

**Net Change in Cash and Cash Equivalents** (725,497)

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**Cash and Cash Equivalents - Beginning of Year** 211,767,051

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**Cash and Cash Equivalents - End of Year** \$ 211,041,554

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**COMPONENTS OF CASH AND CASH EQUIVALENTS**

Cash and cash equivalents	\$ 106,129,744
Restricted cash and cash equivalents - current	60,851,194
Restricted cash and cash equivalents - noncurrent	44,060,616

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**TOTAL CASH AND CASH EQUIVALENTS** \$ 211,041,554

**RECONCILIATION OF OPERATING LOSS TO NET**

**CASH USED IN OPERATING ACTIVITIES**

Operating loss \$ (157,250,437)

Adjustments to reconcile operating loss to net cash  
used in operating activities:

Depreciation	8,321,201
Allowance for doubtful accounts	925,707
Deferred outflow related to pension	(14,626,715)
Net pension liabilities	19,522,309
Deferred inflow related to pension	4,117,594
Net other postemployment benefit liability	3,979,189
Changes in:	
Accounts receivable	(1,328,041)
Prepaid expenses	(576,942)
Inventories	9,819
Accounts payable	2,106,943
Advances from grantors and students	(253,557)
Compensated absences	187,136
Amounts held in trust for others	24,579

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**NET CASH USED IN OPERATING ACTIVITIES** \$ (134,841,215)

*The accompanying notes are an integral part of these 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 (collectively, the Foundations). 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; therefore, the District has determined that 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 expenses 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)

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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 reported in the fiscal year in which the program is predominately conducted.

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 include 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 consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the state of California. Accounts receivable also include amounts due from federal, state, and local governments, or private sources, in connection with reimbursement of allowable expenses 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 \$5,502,449 for the year ended June 30, 2018.

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

**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 expenses in the year in which the expense was incurred.

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

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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 to 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.

<b>Contracting Public Agencies</b>	<b>Term</b>	<b>Facilities</b>	<b>Prepaid Amount</b>
Delano Joint Union High School District	50 Years	Gymnasium and 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

**Advances From Grantors and Students** Advances from grantors and students include 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 include amounts received from grant and contract sponsors that have not yet been earned.

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

**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, if the employee is a member of California Public Employees' Retirement System (CalPERS) or California State Teachers' Retirement System (CalSTRS).

**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. Bond issuance costs are expensed in the year incurred. Amortization of bond premiums and discount costs was \$1,892,063 for the year ended June 30, 2018.

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

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**OPEB** For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the District's OPEB Plan (the Plan), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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 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 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.

**Fair Value Measurements** The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs.

**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, which will only be recognized as an outflow of resources (expense) in the future.

The District has two items that qualify for reporting in this category: a) deferred outflows of resources related to pension which represents a reclassification of current year's pension contributions, all of which will be expensed during 2018-19, per accounting pronouncement GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*; b) A deferred loss on refunding which 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.

In addition to liabilities, the statement of net position includes 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 and would only be recognized as an inflow of resources (revenue) at that time.

Changes in proportion and differences between District contributions and proportionate share of pension contributions, the District's proportionate share of the net difference between projected and actual earnings on pension plan investments, changes in assumptions, and the differences between the expected and actual experience, are reported as deferred inflows of resources or deferred outflows of resources in the government-wide statement of net position. These amounts are amortized over the estimated service lives of the pension plan participants.

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

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**Net Position** 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.

*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 toward restricted resources, and then toward unrestricted resources.

**Classification of Revenues** The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operations are recorded as nonoperating 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, financial aid, 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. The District's policy is to estimate the recalculation correction to apportionment, if any, based on factors it can reasonably determine such as local property tax revenue received and reductions in FTES. Any additional corrections determined by the state are recorded in the year computed by the state.

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

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**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.

**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 expenses by the employer government. The state of California makes direct on-behalf payments for retirement benefits to CalSTRS and CalPERS on behalf of all community college districts in California. The amount reported in the basic financial statements as of June 30, 2018, was \$948,459.

**Implementation of New Accounting Standards**

**Governmental Accounting Standards Board, Statement No. 75** The District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), for the fiscal year ended June 30, 2018. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB Statement No. 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

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

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**Governmental Accounting Standards Board, Statement No. 85** The District adopted the provisions of GASB Statement No. 85, *Omnibus 2017*, for the fiscal year ended June 30, 2018. This statement addresses practice issues that have been identified during implementation and application of certain GASB statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. It addresses the timing of the measurement of pension or OPEB liabilities and expenditures recognized, recognizing on-behalf payments for pensions or OPEB, presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB, and accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

As a result of the adoption of GASB Statement No. 75 and 85, net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75 and 85:

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<b>Net Position - as Previously Reported</b>	\$ 98,997,474
<b>Cumulative Effect of Change in Accounting Principles</b>	
Net OPEB liability	(54,610,723)
<b>Net Position - as Restated</b>	<b>\$ 44,386,751</b>

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**Governmental Accounting Standards Board, Statement No. 89** The District adopted the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, for the fiscal year ended June 30, 2018. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred and not capitalized as a component of the historical cost of a capital asset. The requirements of this Statement are to be applied prospectively, therefore, there is no impact on the statement of net position as a result of the adoption of this Statement.

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

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**2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The cash and cash equivalents are as follows:

June 30, 2018

Cash and cash equivalents	\$ 106,129,744
Restricted cash and cash equivalents	104,911,810
<b>Total Cash and Cash Equivalents</b>	<b>\$ 211,041,554</b>

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

June 30, 2018

Cash in County Treasury	\$ 203,903,233
Cash on hand and in banks	7,137,861
Cash held by trustees	460
<b>Total Deposits</b>	<b>\$ 211,041,554</b>

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 accounts weighted average maturities were less than two years at June 30, 2018, 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, \$1,298,762 of the bank balances at June 30, 2018, are insured.



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

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

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

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**Fair Value Measurements**

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2018:

- County treasurer's investment pool and the Investments in LAIF are valued using quoted prices for similar instruments in active markets and quoted prices for identical or similar instruments in markets that are not active (level 2 inputs).
- U.S. Treasury securities and corporate stocks are valued using quoted market prices (level 1 inputs).
- Taxable municipal bonds are valued using quoted market prices (level 1 inputs).
- Corporate bonds are valued using a matrix pricing model (level 2 inputs).

The District's investments are as follows:

June 30, 2018	Level 1	Level 2
County treasury pool	\$ -	\$ 203,903,233
Investments in LAIF	-	910,126
Bank clearing account	429,473	-
Certificates of deposit	3,083,980	-
Money market	33,367	-
Municipal bonds	-	4,148,857
Corporate bonds and notes:		
Communication	-	245,400
Energy	-	289,668
Financial services	-	1,207,883
Healthcare	-	524,047
Utilities	-	100,756
Technology	-	483,640
Other	-	1,395,414
U.S. Government agency securities	4,844,020	-
Foreign bonds	-	158,296
<b>Total Investments</b>	<b>\$ 8,390,840</b>	<b>\$ 213,367,320</b>

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.

### **Interest Rate Risk**

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 63% 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.

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

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, 2018	Fair Value	Investment Maturities		
		Less Than One Year	One to Five Years	More Than Five Years
Investment in LAIF	\$ 910,126	\$ 910,126	\$ -	\$ -
Bank clearing account	429,473	429,473	-	-
Certificates of deposit	3,083,980	1,288,262	1,750,720	44,998
Municipal bonds	4,148,857	566,498	3,321,879	260,480
Money market	33,367	33,367	-	-
Corporate bonds and notes	4,246,808	597,915	3,648,893	-
U.S. Government agency securities	4,844,020	-	4,844,020	-
Foreign bonds	158,296	-	158,296	-
<b>Total Investments</b>	<b>\$ 17,854,927</b>	<b>\$ 3,825,641</b>	<b>\$ 13,723,808</b>	<b>\$ 305,478</b>

**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, 2018	Fair Value	Investment Ratings			
		AAA	AA	A	Unrated
Investment in LAIF	\$ 910,126	\$ -	\$ -	\$ -	\$ 910,126
Bank clearing account	429,473	-	-	-	429,473
Certificates of deposit	3,083,980	3,083,980	-	-	-
Municipal bonds	4,148,857	2,263,686	1,620,366	264,805	-
Money market	33,367	33,367	-	-	-
Corporate bonds and notes	4,246,808	938,957	2,820,384	487,467	-
U.S. Government agency securities	4,844,020	4,844,020	-	-	-
Foreign bonds	158,296	-	158,296	-	-
<b>Total Investments</b>	<b>\$ 17,854,927</b>	<b>\$ 11,164,010</b>	<b>\$ 4,599,046</b>	<b>\$ 752,272</b>	<b>\$ 1,339,599</b>

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 26% of the District's investments are in Federal National Mortgage Association and Federal Home Loan Bank, which are U.S. government-sponsored enterprises.

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

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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.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following:

June 30, 2018	
Tuition and fees	\$ 8,190,459
Less: Allowance for doubtful accounts	5,502,449
<b>Tuition and Fees - Net</b>	<b>2,688,010</b>
Federal grants and contracts	3,917,281
State grants and contracts	3,243,245
Local grants and contracts	75,464
State taxes and other revenues	480,476
Other	1,948,554
<b>Total</b>	<b>\$ 12,353,030</b>

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

**4. CAPITAL ASSETS**

Capital assets activity is summarized as follows:

June 30, 2018	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
<b>Nondepreciable Capital Assets</b>					
Land	\$ 19,277,546	\$ -	\$ -	\$ -	\$ 19,277,546
Construction in progress	39,328,671	8,118,352	-	(11,549,799)	35,897,224
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 58,606,217</b>	<b>\$ 8,118,352</b>	<b>\$ -</b>	<b>\$ (11,549,799)</b>	<b>\$ 55,174,770</b>
<b>Depreciable Capital Assets</b>					
Site improvements	\$ 8,198,420	\$ -	\$ -	\$ -	\$ 8,198,420
Joint use facilities agreements	7,448,375	-	-	-	7,448,375
Buildings and improvements	292,255,915	1,361,344	-	11,549,800	305,167,059
Equipment	22,051,094	1,882,825	-	-	23,933,919
Computer equipment	19,022,927	175,328	-	-	19,198,255
Vehicles	2,897,243	332,706	-	-	3,229,949
<b>Total Depreciable Capital Assets</b>	<b>351,873,974</b>	<b>3,752,203</b>	<b>-</b>	<b>11,549,800</b>	<b>367,175,977</b>
Less: Accumulated depreciation	119,221,135	8,321,201	-	-	127,542,336
<b>Total Depreciable Assets - Net</b>	<b>\$ 232,652,839</b>	<b>\$ (4,568,998)</b>	<b>\$ -</b>	<b>\$ 11,549,800</b>	<b>\$ 239,633,641</b>

**5. ACCOUNTS PAYABLE**

Accounts payable consisted of the following:

June 30, 2018	
Accrued payroll and related liabilities	\$ 5,841,681
Construction payables	1,371,406
Interest payable	3,266,631
Other	11,028,039
<b>Total</b>	<b>\$ 21,507,757</b>

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

**6. LONG-TERM LIABILITIES**

The long-term liability activity is as follows:

June 30, 2018	Beginning Balance	Accretion/ Additions	Reductions	Ending Balance	Current Portion
Certificates of participation Limited obligation	\$ 29,592,800	\$ -	\$ 1,360,360	\$ 28,232,440	\$ 1,175,000
improvement bonds	5,133,500	-	96,583	5,036,917	115,000
General obligation improvement bonds	225,693,507	3,818,825	10,375,120	219,137,212	26,250,000
CEC loans	4,459,667	-	300,559	4,159,108	303,138
Other postemployment benefit bonds	78,805,000	-	995,000	77,810,000	1,055,000
<b>Subtotal</b>	<b>343,684,474</b>	<b>3,818,825</b>	<b>13,127,622</b>	<b>334,375,677</b>	<b>28,898,138</b>
Compensated absences	3,028,789	2,032,009	1,844,873	3,215,925	1,844,873
Net pension liabilities	124,666,887	19,522,309	-	144,189,196	-
<b>Total Long-Term Liabilities</b>	<b>\$ 471,380,150</b>	<b>\$ 25,373,143</b>	<b>\$ 14,972,495</b>	<b>\$ 481,780,798</b>	<b>\$ 30,743,011</b>

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

June 30, 2018

**CERTIFICATES OF PARTICIPATION**

2016 Refunding Bonds Conversion of 2008 Variable Rate Certificates of Participation issued in the original amount of \$27,285,000 with final maturity in 2033. Interest rates range from 2.00% to 5.00%.	\$ 25,020,000
Premium on certificates of participation	3,212,440

**CERTIFICATES OF PARTICIPATION - NET** 28,232,440

**LIMITED OBLIGATION IMPROVEMENT BONDS**

2010A Lease Revenue Bonds issued in the original amount of \$6,810,000 with final maturity in 2035. Interest rates range from 3.00% to 5.12%.	5,095,000
Less: Discounts	58,083

**LIMITED OBLIGATION IMPROVEMENT BONDS - NET** 5,036,917

**Balance Forward** \$ 33,269,357

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

June 30, 2018

<b>Balance Brought Forward</b>	\$ 33,269,357
<b>GENERAL OBLIGATION BONDS</b>	
Bonds issued in the original amount of \$7,556,642, including current interest bonds and capital appreciation bonds with final maturity in 2025. Interest rates range from 4.00% to 5.66%.	4,343,253
Bonds issued in the original amount of \$4,022,236, including current interest bonds and capital appreciation bonds with final maturity in 2027. Interest rates range from 3.55% to 5.57%.	1,791,432
Bonds issued in the original amount of \$75,240,068, including current interest bonds and capital appreciation bonds with final maturity in 2028. Interest rates range from 2.00% to 6.78%.	6,923,574
Bonds issued in the original amount of \$49,999,533, including current interest bonds and capital appreciation bonds with final maturity in 2030. Interest rates range from 4.25% to 5.00%.	61,487,969
Bonds issued in the original amount of \$6,985,000, including current interest bonds and capital appreciation bonds with final maturity in 2026. Interest rates range from 2.00% to 5.50%.	4,025,000
Bonds issued in the original amount of \$54,800,000, including current interest bonds with 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 with final maturity in 2021. Interest rates range from 0.0281% to 3.193%.	24,165,000
Bonds issued in the original amount of \$14,370,000, including current interest with final maturity in 2021. Interest rates range from 2.00% to 5.00%.	14,070,000
Bonds issued in the original amount of \$40,225,000, including current interest with final maturity in 2020. Interest rate of 5.00%.	40,225,000
<b>Subtotal</b>	<b>210,806,228</b>
Premium on general obligation bonds	8,330,984
<b>GENERAL OBLIGATION BONDS - NET</b>	<b>219,137,212</b>
<b>Balance Forward</b>	<b>\$ 252,406,569</b>



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

June 30, 2018

**Balance Brought Forward** \$ 252,406,569

**CEC LOAN**

Energy Conservation Assistance Loan with a principal amount of \$2,200,000. Final maturity is in 2026, with an interest rate of 3.00%. 1,459,108

Energy Conservation Assistance Loan with a principal amount of \$3,000,000. Final maturity is in 2036, with an interest rate of 0.00%. 2,700,000

**CEC LOANS** 4,159,108

**OTHER POSTEMPLOYMENT BENEFIT BONDS**

The 2008 Taxable Other Postemployment Benefit (OPEB) Bonds, Series A, issued in the original amount of \$85,880,000. Final maturity is in 2047, with an interest rate of 6.01%. 77,810,000

**Subtotal** 334,375,677

Less: Current portion 28,898,138

**Total Long-Term Liabilities - Noncurrent Portion** \$ 305,477,539

**Accretion**

General obligation bonds as of June 30, 2018, have been increased by \$34,876,981 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:

Years Ending June 30	Bonds			Bond		Total
	Principal	Interest	Total	Premium		
2019	\$ 28,898,138	\$ 12,347,309	\$ 41,245,447	\$ 943,290	\$ 42,188,737	
2020	31,155,351	11,093,175	42,248,526	1,917,705	44,166,231	
2021	18,620,624	10,025,806	28,646,430	1,917,705	30,564,135	
2022	14,381,974	9,330,483	23,712,457	1,688,810	25,401,267	
2023	8,477,805	8,929,276	17,407,081	681,148	18,088,229	
2024-2028	42,104,771	40,963,363	83,068,134	2,910,099	85,978,233	
2029-2033	34,810,917	67,685,881	102,496,798	2,151,741	104,648,539	
2034-2038	40,170,000	17,024,063	57,194,063	223,618	57,417,681	
2039-2043	48,575,000	9,552,595	58,127,595	-	58,127,595	
2044-2047	19,870,000	3,072,613	22,942,613	-	22,942,613	
<b>Total</b>	<b>\$ 287,064,580</b>	<b>\$ 190,024,564</b>	<b>477,089,144</b>	<b>12,434,116</b>	<b>489,523,260</b>	
Less: Interest (excluding accretion of \$34,876,981)			(155,147,583)	-	(155,147,583)	
<b>Net Principal</b>			<b>\$ 321,941,561</b>	<b>\$ 12,434,116</b>	<b>\$ 334,375,677</b>	

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

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**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, 2018, were \$33,771.

The future minimum lease payments are as follows:

Years Ending June 30	
2019	\$ 25,874
2020	16,457
2021	3,550
2022	3,550
2023	1,479
<b>Total</b>	<b>\$ 50,910</b>

**8. EMPLOYEE RETIREMENT SYSTEMS**

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 CalSTRS, and classified employees are members of CalPERS.

**Summary**

Net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are reported as follows:

June 30, 2018	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS State Teachers' Retirement Plan	\$ 88,780,800	\$ 30,314,790	\$ 6,754,234	\$ 5,549,639
CalPERS School Employer Pool	55,408,396	19,254,059	652,365	3,463,549
<b>Total</b>	<b>\$ 144,189,196</b>	<b>\$ 49,568,849</b>	<b>\$ 7,406,599</b>	<b>\$ 9,013,188</b>

Net pension liability, deferred outflows of resources, and deferred inflows of resources are reported in the accompanying statement of net position; pension expense is reported in the accompanying statement of revenue, expenses, and changes in net position.

### **California State Teachers' Retirement System**

**Plan Description** Certificated employees of the District participate in 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 publicly available financial reports that can be obtained at [www.calstrs.com](http://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 2.0% 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 retirement 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 a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% 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.

**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 of the CalSTRS 2% at 60 formula are required to contribute 10.25% of their salary. Active plan members of the CalSTRS 2% at 62 formula are required to contribute 9.205% of their salary. The required employer contribution rate for fiscal year 2017-18 was 14.43% of annual payroll. State Teachers' Retirement Law also requires the state to contribute 9.328% of the members' creditable earnings from the fiscal year ending in the prior calendar year. The District's contributions to CalSTRS for the fiscal year ended June 30, 2018, was \$7,761,580.

**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, 2018, 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 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, 2018

District's proportionate share of the net pension liability	\$ 88,780,800
State's proportionate share of the net pension liability associated with the District	32,999,823
<b>Total</b>	<b>\$ 121,780,623</b>

The District's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, 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, 2018, the District's proportion was .096%.

For the year ended June 30, 2018, the District recognized pension expense of \$948,459 and revenue of \$948,459 for support provided by the state. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows Resources</b>	<b>Deferred Inflows Resources</b>
Changes of assumptions	\$ 16,447,269	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,364,708
Differences between expected and actual experience	328,320	1,548,800
Changes in proportion and differences between District contributions and proportionate share of contributions	5,777,621	2,840,726
District contributions subsequent to the measurement date	7,761,580	-
<b>Total</b>	<b>\$ 30,314,790</b>	<b>\$ 6,754,234</b>

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

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The \$7,761,580 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 ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	
2019	\$ 1,270,428
2020	4,723,548
2021	3,450,828
2022	1,135,608
2023	2,896,087
Thereafter	2,322,477
<b>Total</b>	<b>\$ 15,798,976</b>

**Actuarial Assumptions** The total pension liability in the June 30, 2016, actuarial valuation for CalSTRS was determined using the following actuarial assumptions and applied to all periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.10%
Interest on accounts	4.50%
Wage growth	3.75%
Consumer price inflation	3.00%
Post-retirement benefit increases	2.00% simple

CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2006, through June 30, 2015.

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

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

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute return/risk mitigating strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%
<b>Total</b>	<b>100%</b>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers were made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assumes that contributions, benefit payments, and administrative expenses occurred 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.

**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 7.10%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	<b>1% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
June 30, 2018			
District's proportionate share of the net pension liability	\$ 130,358,400	\$ 88,780,800	\$ 55,037,760

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

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**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](http://www.calpers.ca.gov).

**Benefits Provided** The plan provides retirement, disability, 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 that met the definition of a new member under the Public Employee's Pension Reform Act are required to contribute 6.00% of their salary. Classic employees are required to contribute 7.00% of their salary. The required employer contribution rate for the 2017-18 fiscal year was 15.531%. The District's contributions to CalPERS for the fiscal year ended June 30, 2018, was \$4,503,972.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** At June 30, 2018, the District reported a net pension liability of \$55,408,396 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, 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, actuarially determined. At June 30, 2018, the District's proportion was .23210%.

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

For the year ended June 30, 2018, the District recognized pension expense of \$3,463,549. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows Resources</b>	<b>Deferred Inflows Resources</b>
Difference between expected and actual experience	\$ 1,985,054	\$ -
Net difference between projected and actual earnings on pension plan investments	1,823,911	-
Changes in assumptions	8,093,268	652,365
Changes in proportion and differences between District contributions and proportionate share of contributions	2,847,854	-
District contributions subsequent to the measurement date	4,503,972	-
<b>Total</b>	<b>\$ 19,254,059</b>	<b>\$ 652,365</b>

The \$4,503,972 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 ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	
2019	\$ 4,445,329
2020	6,406,344
2021	4,318,872
2022	(1,072,823)
<b>Total</b>	<b>\$ 14,097,722</b>

**Actuarial Assumptions** The total pension liability in the June 30, 2016, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%

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.



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

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The actuarial assumptions used in the June 30, 2016, 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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the 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 adjusted to account for assumed administrative expenses.

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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Rate of Return</b>	
		<b>Years 1 - 10</b>	<b>Years 11+</b>
Global equity	47%	4.90%	5.38%
Global debt securities	19%	0.80%	2.27%
Inflation assets	6%	0.60%	1.39%
Private equity	12%	6.60%	6.63%
Real estate	11%	2.80%	5.21%
Infrastructure and forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%
<b>Total</b>	<b>100%</b>		

**Discount Rate** The discount rate used to measure the total pension liability was 7.15%. 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 the CalPERS Board in 2013 were used. Projections of expected benefit payments and contributions were 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.

**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 7.15%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

June 30, 2018	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 81,523,506	\$ 55,408,396	\$ 33,743,725

**Pension Plan Fiduciary Net Position** Detailed information about the pension plan's fiduciary net position is available in CalPERS' separately issued CAFR.

**9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**Plan Description and Benefits Provided**

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.

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. 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.

**Employees Covered**

Employees covered by the benefit terms of the Plan consisted of:

June 30, 2018	
Inactive Plan members or beneficiaries currently receiving benefit payments	500
Active Plan members	777
<b>Total</b>	<b>1,277</b>

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

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**Contributions**

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.

**Net OPEB Liability**

The District's net OPEB liability for the Plan is measured as the total OPEB liability, less the Plan's fiduciary net position. The net OPEB liability of the Plan is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures as allowed under GASB Statement No. 75. The June 30, 2018, total OPEB liability was based on the actuarial methods and assumptions as shown below.

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return/discount rate	6.00% <sup>(1)</sup>
Salary increases	2.75%
Consumer price inflation	2.75%
Healthcare cost trend rate	4.00%

*(1) Net of investment expenses.*

Mortality rates were based on the following tables that were based on the employee's classification.

<b>Employee Type</b>	<b>Mortality Tables</b>
Certificated	2009 CalSTRS Mortality (1)
Classified	2014 CalPERS Retiree Mortality for Miscellaneous Employees (2)
Miscellaneous	2014 CalPERS Active Mortality for Miscellaneous Employees (3)

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

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1. The mortality assumptions are based on the 2009 CalSTRS Mortality table created by CalSTRS. CalSTRS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of the commonly used tables. This table incorporates mortality projections as deemed appropriate based on CalSTRS analysis.
2. The mortality assumptions are based on the 2014 CalPERS Retiree Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of the commonly used tables. This table incorporates mortality projections as deemed appropriate based on CalPERS analysis.
3. The mortality assumptions are based on the 2014 CalPERS Active Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of the commonly used tables. This table incorporates mortality projections as deemed appropriate based on CalPERS analysis.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of the following experience studies:

<b>Table</b>	<b>Experience Study</b>
Retirement	2009 CalSTRS Retirement Rates
Retirement	2009 CalPERS 2.0% at 60 Rates for Miscellaneous Employees
Retirement	2009 CalPERS Retirement Rates for School Employees
Turnover	2009 CalPERS Termination Rates for School Employees
Turnover	2009 CalSTRS Termination Rates

CalSTRS and CalPERS periodically study the experience for participating agencies and establishes tables that are appropriate for each pool.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of mathematical real rates of return for each major asset class included in the target asset allocation as of June 30, 2016, are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>
US large cap	7.80%
US small cap	7.80%
Long-term corporate bonds	5.30%
Short-term government fixed income	3.25%

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

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**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that contributions from the District will be at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Changes in the Net OPEB Liability**

The changes in the net OPEB liability for the Plan are as follows:

Year Ended June 30, 2018

<b>Total OPEB Liability</b>	
Service cost	\$ 1,346,435
Interest	5,147,159
Benefit payments - including refunds of employee contributions	(7,895,232)
<b>Net Change in Total OPEB Liability</b>	<b>(1,401,638)</b>
<b>Total OPEB Liability - Beginning of Year</b>	<b>89,078,888</b>
<b>Total OPEB Liability - End of Year (a)</b>	<b>87,677,250</b>
<b>Plan Fiduciary Net Position</b>	
Contributions - employer	-
Net investment income	2,514,945
Benefit payments - including refunds of employee contributions	(7,895,232)
Administrative expense	(540)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(5,380,827)</b>
<b>Plan Fiduciary Net Position - Beginning of Year</b>	<b>75,840,266</b>
<b>Plan Fiduciary Net Position - End of Year (b)</b>	<b>70,459,439</b>
<b>Plan Net OPEB Liability - End of Year ((a) - (b))</b>	<b>\$ 17,217,811</b>
Plan fiduciary net position as a percentage of the total OPEB liability	80.36%
Covered-employee payroll	\$ 29,935,251
District's net OPEB liability as a percentage of covered-employee payroll	57.52%

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

The following presents the District’s net OPEB liability calculated using the discount rate of 6.00%, as well as the District’s net OPEB liability if it was calculated using a discount rate that is one percentage point lower (5.00%) or one percentage point higher (7.00%) than the current rate:

June 30, 2018	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net OPEB liability	\$ 25,188,160	\$ 17,217,811	\$ 10,350,219

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

The following presents the District’s net OPEB liability calculated using the healthcare cost trend rate of 4.00%, as well as the District’s net OPEB liability if it was calculated using a healthcare trend rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current rate:

June 30, 2018	1% Decrease (3.00%)	Health Cost Trend Rates (4.00%)	1% Increase (5.00%)
Net OPEB liability	\$ 7,907,756	\$ 17,217,811	\$ 28,080,956

**OPEB Expense**

For the year ended June 30, 2018, the District recognized OPEB expense of \$3,979,189.

**Plan Fiduciary Net Position**

Detailed information about the Plan’s fiduciary net position is available in the separately issued OPEB financial report held by the District.

**10. 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 expenses disallowance under terms of the grants, management believes that any required reimbursements will not be material.

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

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**11. 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, 2018.

**12. COMMITMENTS**

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

June 30, 2018

Bakersfield College Infrastructure/Parking Lots	\$ 1,594,498
District Wide Security Assess Hardware	283,540
Cerro Coso Gym Floor Upgrade	3,518
Cerro Coso Main Building Modernization	12,737,459
ESCC Mammoth Center Modernization	166,662
Other	34,304
<b>Total</b>	<b>\$ 14,819,981</b>

**13. SUBSEQUENT EVENT**

**Bonded Debt**

In September 2018, the District issued general obligation bonds, series B, of the 2016 election, in the amount of \$71,230,000 with interest rates ranging from 3.0% to 5.0%. The bonds mature through 2023, in varying amounts from \$1,175,000 to \$20,755,000. The proceeds will be used to finance the acquisition, construction, modernization and equipping of District sites and facilities.

**14. FUTURE GASB IMPLEMENTATION**

In June 2017, GASB issued Statement No. 87, *Leases*. This statement improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District's management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2020, will have on the District's financial statements, if any.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings, and Direct Placements*. This statement improves the information disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The District's management has not yet determined the impact that the implementation of this standard, which was required on July 1, 2018, will have on the District's financial statements, if any.



**REQUIRED SUPPLEMENTARY INFORMATION**

# Kern Community College District

## SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Year Ended June 30, 2018

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<b>Total OPEB Liability</b>	
Service cost	\$ 1,346,435
Interest	5,147,159
Benefit payments - including refunds of employee contributions	(7,895,232)
<b>Net Change in Total OPEB Liability</b>	<b>(1,401,638)</b>
<b>Total OPEB Liability - Beginning of Year</b>	<b>89,078,888</b>
<b>Total OPEB Liability - End of Year (a)</b>	<b>87,677,250</b>
<b>Plan Fiduciary Net Position</b>	
Contributions - employer	-
Net investment income	2,514,945
Benefit payments - including refunds of employee contributions	(7,895,232)
Administrative expense	(540)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(5,380,827)</b>
<b>Plan Fiduciary Net Position - Beginning of Year</b>	<b>75,840,266</b>
<b>Plan Fiduciary Net Position - End of Year (b)</b>	<b>70,459,439</b>
<b>Plan Net OPEB Liability - End of Year ((a) - (b))</b>	<b>\$ 17,217,811</b>
Plan fiduciary net position as a percentage of the total OPEB liability	80.36%
Covered-employee payroll	\$ 29,935,251
District's net OPEB liability as a percentage of covered-employee payroll	57.52%

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See the accompanying notes to the required supplementary information.

**Kern Community College District**  
SCHEDULE OF INVESTMENT RETURNS - OPEB

Year Ended June 30, 2018

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Annual money-weighted rate of return - net of investment expense	2.62%
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*See the accompanying notes to the required supplementary information.*

## Kern Community College District

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

Years Ended June 30	2018		2017		2016		2015	
District's proportion of the net pension liability (asset)	0.096%		0.100%		0.093%		0.088%	
District's proportionate share of the net pension liability (asset)	\$	88,780,800	\$	80,881,000	\$	51,765,066	\$	47,584,641
State's proportionate share of the net pension liability (asset) associated with the District		32,999,823		29,343,627		21,659,134		19,361,347
<b>Total</b>	\$	121,780,623	\$	110,224,627	\$	73,424,200	\$	66,945,988
District's covered-employee payroll	\$	52,489,754	\$	53,207,073	\$	49,279,833	\$	45,874,266
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		169.14%		152.01%		105.04%		103.73%
Plan fiduciary net position as a percentage of the total pension liability		69.00%		70.00%		74.00%		77.00%

See the accompanying notes to the required supplementary information.

**Kern Community College District****SCHEDULE OF DISTRICT CONTRIBUTIONS – CALIFORNIA STATE TEACHERS’ RETIREMENT SYSTEM**

<b>Years Ended June 30</b>	<b>2018</b>		<b>2017</b>		<b>2016</b>		<b>2015</b>	
Contractually required contribution	\$	7,761,580	\$	6,603,211	\$	5,248,922	\$	4,093,690
Contributions in relation to the contractually required contribution		(7,761,580)		(6,603,211)		(5,248,922)		(4,093,690)
<b>Contribution Deficiency (Excess)</b>	\$	-	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	52,489,754	\$	53,207,073	\$	49,279,833	\$	45,874,266
Contributions as a percentage of covered-employee payroll		14.79%		12.41%		10.65%		8.92%

*See the accompanying notes 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

Years Ended June 30	2018		2017		2016		2015	
District's proportion of the net pension liability (asset)	0.2321%		0.2217%		0.2091%		0.2014%	
District's proportionate share of the net pension liability (asset)	\$	55,408,396	\$	43,785,887	\$	29,375,367	\$	22,463,999
District's covered-employee payroll	\$	29,596,997	\$	29,610,250	\$	26,528,654	\$	23,164,222
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	187.21%		147.87%		110.73%		96.98%	
Plan fiduciary net position as a percentage of the total pension liability	71.90%		73.90%		79.40%		83.50%	

*See the accompanying notes to the required supplementary information.*

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

Years Ended June 30	2018		2017		2016		2015	
Contractually required contribution	\$	4,503,972	\$	4,110,341	\$	3,156,486	\$	2,725,027
Contributions in relation to the contractually required contribution		(4,503,972)		(4,110,341)		(3,156,486)		(2,725,027)
<b>Contribution Deficiency (Excess)</b>	\$	-	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	29,596,997	\$	29,610,250	\$	26,528,654	\$	23,164,222
Contributions as a percentage of covered-employee payroll		15.22%		13.88%		11.90%		11.76%

*See the accompanying notes to the required supplementary information.*

**1. SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS****Changes in Benefit Terms**

There were no significant changes of benefit terms during the measurement period ended June 30, 2017.

**Changes in Assumptions**

There were no changes in major assumptions during the measurement period ended June 30, 2017.

**2. CHANGES OF BENEFIT TERMS****California State Teachers' Retirement System**

There were no significant changes of benefit terms during the measurement period ended June 30, 2017.

**California Public Employees' Retirement System**

There were no significant changes of benefit terms during the measurement period ended June 30, 2017.

**3. CHANGES OF ASSUMPTIONS****California State Teachers' Retirement System**

During fiscal year 2016-17, California State Teachers' Retirement System (CalSTRS) completed an experience study for the period starting July 1, 2010, and ending June 30, 2015. The experience study was adopted by the board in February 2017. As a result of the study, certain assumptions used in determining the net pension liability (NPL) of the State Teachers' Retirement Plan changed, including the price inflation, wage growth, discount rate, and the mortality tables used in the actuarial valuation of the NPL. The change in assumptions were as follows:

June 30	<b>2017</b>	<b>2016</b>
<b>Assumption</b>		
Consumer price Index	2.75%	3.00%
Investment rate of return	7.10%	7.60%
Wage growth	3.50%	3.75%



## **Kern Community College District**

### **NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

(Continued)

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CalSTRS changed its mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

#### **California Public Employees' Retirement System**

During fiscal year 2016-17, the financial reporting discount rate for the Schools Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (PERF B) was lowered from 7.65% to 7.15%.

**OTHER SUPPLEMENTARY INFORMATION SECTION**

# Kern Community College District

## ORGANIZATION STRUCTURE

June 30, 2018

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### BOARD OF TRUSTEES

<b>Name</b>	<b>Office</b>	<b>Area</b>	<b>Term Expires</b>
Mrs. Kay Meek	President	Southwest Bakersfield	2020
Mr. Mark Storch	Vice President	Ridgecrest	2018
Mr. John S. Corkins	Member	Porterville	2018
Mr. Romero Agbalog	Clerk	Northeastern Kern County	2020
Mr. Dennis L. Beebe	Member	Southwest Bakersfield	2020
Mr. William M. Thomas	Member	Central Bakersfield	2018
Mr. Kyle W. Carter	Member	Central Bakersfield	2018

### ADMINISTRATION

Mr. Thomas J. Burke  
Chancellor

Ms. Deborah Martin  
Chief Financial Officer

Mr. Gary Moser  
Chief Information Officer

Ms. Tonya Davis  
Vice Chancellor, Human Resources

Mr. John Means  
Vice Chancellor, Educational Services

Mr. Christopher Hine  
General Counsel

**Kern Community College District**  
 SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL  
 APPORTIONMENT ANNUAL ATTENDANCE  
 June 30, 2018

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The full-time equivalent resident students (FTES) eligible for 2017-18 state apportionment reported to the state of California are summarized below:

	<b>Reported Data</b>
<b>Summer Intersession (Summer 2017 Only)</b>	
Noncredit	7.39
Credit	236.75
<b>Summer Intersession (Summer 2018 - Prior to July 1, 2018)</b>	
Noncredit	-
Credit	2,171.73
<b>Primary Terms (Exclusive of Summer Intersession)</b>	
Census Procedure Courses:	
Weekly Census Contact Hours	13,518.59
Daily Census Contact Hours	1,183.13
Actual Hours of Attendance Procedure Courses:	
Noncredit	49.24
Credit	2,173.29
Alternative Attendance Accounting Procedure:	
Weekly Census Contact Hours	2,733.94
Daily Census Contact Hours	466.08
Noncredit Independent Study/Distance Education Courses	-
<b>Total FTES</b>	<b>22,540.14</b>
<b>Subtotal Credit FTES</b>	<b>22,483.51</b>
<b>Subtotal Noncredit FTES</b>	<b>56.63</b>
<b>SUPPLEMENTARY INFORMATION (Subset of Above Information)</b>	
<b>IN-SERVICE TRAINING COURSES (FTES)</b>	<b>375.15</b>
<b>Basic Skills Courses and Immigrant Education</b>	
Noncredit	72.93
Credit	2,249.69
<b>Centers FTES</b>	
Noncredit	4.48
Credit	5,996.83

*See the accompanying notes to the other supplementary information.*

**Kern Community College District**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through/ Grantor Number	Federal CFDA Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Passed Through California Department of Education</b>			
Child Care Food Program	0432-CACFP-15-CC-CS	10.555	\$ 176,413
Headstart	09HP0036/01	93.600	393,524
<b>Total Passed Through California Department of Education</b>			569,937
National Resources Conservation Services Research Subaward	F2982	20.215 10.223	7,356 5,537
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			582,830
<b>U.S. DEPARTMENT OF THE INTERIOR</b>			
Minerals Leasing Act		15.437	656,655
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Training and Education		20.215	20,000
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>			
Facility Reporting Fee		64.116	4,562
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Student Financial Assistance Cluster</b>			
Federal Work-Study Program		84.033	576,723
Federal Pell Grant Program		84.063	44,986,036
Federal Supplemental Education Opportunity Grant		84.007	565,909
Federal Direct Student Loans		84.268	2,738,603
<b>Total Student Financial Assistance Cluster</b>			48,867,271
Project Workability Bakersfield		84.243	186,785
Title V - Higher Education Institutional Aid		84.031	624,756
<b>Passed Through Chancellor's Office</b>			
Career and Technical Education - Basic Grants to States	17-112-023, 17-C01-023	84.048	635,581
Title III - Higher Education Institutional Aid	P031C110009, GRA-2960	84.031	117,442
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			50,431,835
<b>NATIONAL SCIENCE FOUNDATION</b>			
Education and Human Resources		47.076	80,879
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>Passed Through California Department of Education</b>			
General Center - Child Care	CCTR-7053	93.596	312,006
<b>Passed Through Center for Disease Control</b>			
Partnership to Improve Community Health	6NU58DP005678-0102	93.331	4,832
<b>Passed Through Chancellor's Office</b>			
Child, Family, and Community Services - Foster Care - Title IV-E	279-2017	93.658	72,288
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			389,126
<b>Total Expenditures of Federal Awards</b>			<b>\$ 52,165,887</b>

See the accompanying notes to the other supplementary information.

**Kern Community College District**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
Year Ended June 30, 2018

	<b>Program Revenues</b>			
	<b>Cash Received</b>	<b>Accounts Receivable</b>	<b>Deferred Revenue</b>	<b>Total</b>
Extended Opportunity Programs and Services	\$ 2,775,957	\$ -	\$ -	\$ 2,775,957
CalGrants	4,599,022	230,409	(627)	4,828,804
Disabled Student Programs and Services	1,719,950	-	-	1,719,950
CalWORKS	693,894	-	-	693,894
Matriculation	6,058,790	-	-	6,058,790
Foster Parent	149,428	-	-	149,428
Project Care	460,878	-	-	460,878
BFAP	972,868	-	-	972,868
CTE Collaborative Projects	5,918,204	-	-	5,918,204
CAFYES	802,770	-	(802,770)	-
Guided Pathways	920,591	-	-	920,591
CA Completion Grant	645,000	-	(273,000)	372,000
Basic Skills	1,801,201	459,372	(83,890)	2,176,683
Innovation Award	2,070,000	-	(2,070,000)	-
Prop 39 Clean Energy Workforce	493,114	440,440	(11,430)	922,124
College Promise	2,947,635	-	-	2,947,635
Full Time Student Success Grant	1,742,285	-	(178,000)	1,564,285
Strong Workforce Program	7,989,829	400,159	-	8,389,988
SB10-70 Central Valley	959,737	8,605	-	968,342
AEBG Data and Accountability	1,411,475	3,980	(631,689)	783,766
Other State Grants	11,355,905	269,944	(4,057,842)	7,568,007
All other categorical	8,648,720	478,725	(353,661)	8,773,784
<b>Total State Programs</b>	<b>\$ 65,137,253</b>	<b>\$ 2,291,634</b>	<b>\$ (8,462,909)</b>	<b>\$ 58,965,978</b>

See the accompanying notes to the other supplementary information.

# Kern Community College District

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

### WITH AUDITED FINANCIAL STATEMENTS

June 30, 2018

	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
<b>June 30, 2018 - Annual Financial and Budget Report (CCFS-311) Fund Balance</b>	\$ 89,178,918	\$ 36,679,345	\$ 14,082,162	\$ 87,359	\$ 140,027,784
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District adjustments	(6,951,889)	-	-	-	(6,951,889)
Reclassification of amounts held for others	-	-	-	-	-
Rounding	-	1	2	(1)	2
<b>Net Adjustments and Reclassifications</b>	(6,951,889)	1	2	(1)	(6,951,887)
<b>June 30, 2018 - District Accounting Records Fund Balance</b>	\$ 82,227,029	\$ 36,679,346	\$ 14,082,164	\$ 87,358	\$ 133,075,897

	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Bookstore Fund	Balance Forward
<b>June 30, 2018 - Annual Financial and Budget Report (CCFS-311) Fund Balance</b>	\$ 140,027,784	\$ -	\$ 73,842,889	\$ -	\$ 213,870,673
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District adjustments	(6,951,889)	-	(581,808)	-	(7,533,697)
Reclassification of amounts held for others	-	-	-	-	-
Rounding	2	-	-	-	2
<b>Net Adjustments and Reclassifications</b>	(6,951,887)	-	(581,808)	-	(7,533,695)
<b>June 30, 2018 - District Accounting Records Fund Balance</b>	\$ 133,075,897	\$ -	\$ 73,261,081	\$ -	\$ 206,336,978

See the accompanying notes to the other supplementary information.

# Kern Community College District

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

### WITH AUDITED FINANCIAL STATEMENTS

June 30, 2018

(Continued)

	Balance Brought Forward	Cafeteria Fund	Student Financial Aid Fund	Other Trust Fund	Balance Forward
<b>June 30, 2018 - Annual Financial and Budget Report (CCFS-311) Fund Balance</b>	\$ 213,870,673	\$ 596,758	\$ -	\$ 900	\$ 214,468,331
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District adjustments	(7,533,697)	-	-	-	(7,533,697)
Reclassification of amounts held for others	-	-	-	-	-
Rounding	2	-	-	12	14
<b>Net Adjustments and Reclassifications</b>	(7,533,695)	-	-	12	(7,533,683)
<b>June 30, 2018 - District Accounting Records Fund Balance</b>	\$ 206,336,978	\$ 596,758	\$ -	\$ 912	\$ 206,934,648

	Balance Brought Forward	Associated Students Trust Fund	Student Representation Fee Trust Fund	Student Body Center Fee Trust Fund	Total
<b>June 30, 2018 - Annual Financial and Budget Report (CCFS-311) Fund Balance</b>	\$ 214,468,331	\$ 374,782	\$ 89,016	\$ 625,846	\$ 215,557,975
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District adjustments	(7,533,697)	(34,857)	-	-	(7,568,554)
Reclassification of amounts held for others	-	(340,425)	(89,016)	(625,847)	(1,055,288)
Rounding	14	-	-	1	15
<b>Net Adjustments and Reclassifications</b>	(7,533,683)	(375,282)	(89,016)	(625,846)	(8,623,827)
<b>June 30, 2018 - District Accounting Records Fund Balance</b>	\$ 206,934,648	\$ (500)	\$ -	\$ -	\$ 206,934,148

See the accompanying notes to the other supplementary information.



**Kern Community College District**  
**RECONCILIATION OF 50% LAW CALCULATION**  
**June 30, 2018**

	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	
<b>ACADEMIC SALARIES</b>								
<b>Instructional Salaries</b>								
Contract or regular	1100	\$ 34,611,740	\$ -	\$ 34,611,740	\$ 34,672,429	\$ -	\$ 34,672,429	
Other	1300	12,978,745	-	12,978,745	13,111,382	-	13,111,382	
<b>Total Instructional Salaries</b>		47,590,485	-	47,590,485	47,783,811	-	47,783,811	
<b>Noninstructional Salaries</b>								
Contract or regular	1200	-	-	-	9,554,092	-	9,554,092	
Other	1400	-	-	-	553,056	-	553,056	
<b>Total Noninstructional Salaries</b>		-	-	-	10,107,148	-	10,107,148	
<b>TOTAL ACADEMIC SALARIES</b>		47,590,485	-	47,590,485	57,890,959	-	57,890,959	
<b>CLASSIFIED SALARIES</b>								
<b>Noninstructional Salaries</b>								
Regular status	2100	-	-	-	19,277,926	-	19,277,926	
Other	2300	-	-	-	491,733	-	491,733	
<b>Total Noninstructional Salaries</b>		-	-	-	19,769,659	-	19,769,659	
<b>Instructional Aides</b>								
Regular status	2200	667,376	-	667,376	677,278	-	677,278	
Other	2400	1,718,380	-	1,718,380	1,726,048	-	1,726,048	
<b>Total Instructional Aides</b>		2,385,756	-	2,385,756	2,403,326	-	2,403,326	
<b>TOTAL CLASSIFIED SALARIES</b>		2,385,756	-	2,385,756	22,172,985	-	22,172,985	
<b>Other</b>								
Employee benefits	3000	15,223,052	-	15,223,052	28,713,460	-	28,713,460	
Supplies and materials	4000	-	-	-	1,458,391	-	1,458,391	
Other operating expenses	5000	885,980	-	885,980	15,185,192	-	15,185,192	
Equipment replacement	6420	-	-	-	-	-	-	
<b>Total Other</b>		16,109,032	-	16,109,032	45,357,043	-	45,357,043	
<b>Total Expenditures Prior to Exclusions</b>		\$ 66,085,273	\$ -	\$ 66,085,273	\$ 125,420,987	\$ -	\$ 125,420,987	

See the accompanying notes to the other supplementary information.

**Kern Community College District**  
**RECONCILIATION OF 50% LAW CALCULATION**  
 June 30, 2018  
 (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
<b>EXCLUSIONS</b>							
<b>Activities to Exclude</b>							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	\$ 783,381	\$ -	\$ 783,381	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	38,280	-	38,280
Noninstructional Staff Retirees' Benefits and Retirement Incentives	6740	-	-	-	874,478	-	874,478
<b>Total Instructional Salaries</b>		<b>783,381</b>	<b>-</b>	<b>783,381</b>	<b>912,758</b>	<b>-</b>	<b>912,758</b>
<b>Objects to Exclude</b>							
Rents and leases	5060	-	-	-	1,310,068	-	1,310,068
Lottery expenditures:							
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
<b>Subtotal</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,310,068</b>	<b>-</b>	<b>1,310,068</b>
Supplies and materials:							
Software	4000	-	-	-	-	-	-
Books, magazines, and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	156,833	-	156,833
Noninstructional supplies and materials	4400	-	-	-	-	-	-
<b>Total Supplies and Materials</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>156,833</b>	<b>-</b>	<b>156,833</b>
Other operating expenses and services	5000	-	-	-	1,558,338	-	1,558,338
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	374,570	-	374,570
<b>Subtotal</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,932,908</b>	<b>-</b>	<b>1,932,908</b>
Equipment	6400	-	-	-	-	-	-
Equipment - additional	6410	-	-	-	380,489	-	380,489
Equipment - replacement	6420	-	-	-	-	-	-
<b>Total Equipment</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>380,489</b>	<b>-</b>	<b>380,489</b>
<b>Total Capital Outlay</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>380,489</b>	<b>-</b>	<b>380,489</b>
Other outgo	7000	-	-	-	-	-	-
<b>TOTAL EXCLUSIONS</b>		<b>783,381</b>	<b>-</b>	<b>783,381</b>	<b>4,693,056</b>	<b>-</b>	<b>4,693,056</b>
<b>Total for ECS 84362 - 50% Law</b>		<b>\$ 65,301,892</b>	<b>\$ -</b>	<b>\$ 65,301,892</b>	<b>\$ 120,727,931</b>	<b>\$ -</b>	<b>\$ 120,727,931</b>
<b>Percentage of CEE (Instructional Salary Cost/Total CEE)</b>		<b>54.09%</b>	<b>0.00%</b>	<b>54.09%</b>			
<b>50% of Current Expense of Education</b>					<b>\$ 60,363,970</b>	<b>\$ -</b>	<b>\$ 60,363,970</b>

See the accompanying notes to the other supplementary information.

**Kern Community College District**  
 RECONCILIATION OF EDUCATION PROTECTION  
 ACCOUNT EXPENDITURES  
 June 30, 2018

	<b>Object Code</b>	<b>Salaries and Benefits (1000-3000)</b>	<b>Operating Expenses (4000-5000)</b>	<b>Capital Outlay (6000)</b>	<b>Total</b>
<b>EPA Proceeds</b>	8630			\$	18,685,917
<b>Activity Classification</b>					
Instructional activities	0100-5900	\$ 18,685,917	\$ -	\$ -	18,685,917
<b>Total Expenditures for EPA</b>		\$ -	\$ -	\$ -	18,685,917
<b>Total Revenue Less Expenditures</b>				\$	-

*See the accompanying notes to the other supplementary information.*

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

June 30, 2018	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 102,114,742	\$ -	\$ (3,822,477)	\$ 358,246	\$ 98,650,511
Restricted cash and cash equivalents - current	-	-	-	-	-
Accounts receivable - net	8,231,839	351,512	51,000	165,507	8,799,858
Prepaid expenses	913,710	-	-	-	913,710
Inventories	-	-	-	-	-
Due from other funds	1,483	7,793	-	-	9,276
<b>Total Current Assets</b>	<b>111,261,774</b>	<b>359,305</b>	<b>(3,771,477)</b>	<b>523,753</b>	<b>108,373,355</b>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents - noncurrent	-	36,321,975	-	-	36,321,975
Restricted investments	-	-	17,854,927	-	17,854,927
Capital assets - net	357,216	-	-	-	357,216
<b>Total Noncurrent Assets</b>	<b>357,216</b>	<b>36,321,975</b>	<b>17,854,927</b>	<b>-</b>	<b>54,534,118</b>
<b>TOTAL ASSETS</b>	<b>\$ 111,618,990</b>	<b>\$ 36,681,280</b>	<b>\$ 14,083,450</b>	<b>\$ 523,753</b>	<b>\$ 162,907,473</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities</b>					
Accounts payable	\$ 13,273,476	\$ -	\$ 229	\$ 111,980	\$ 13,385,685
Advances from grantors and students	16,033,472	-	-	324,415	16,357,887
Due to other funds	85,013	1,934	1,057	-	88,004
Amounts held in trust for others	-	-	-	-	-
<b>Total Liabilities</b>	<b>29,391,961</b>	<b>1,934</b>	<b>1,286</b>	<b>436,395</b>	<b>29,831,576</b>
<b>Fund Equity</b>					
Fund balances:					
Reserved for debt service	-	36,679,346	14,082,164	-	50,761,510
Reserved for special purposes	21,424,920	-	-	87,358	21,512,278
Unreserved:					
Undesignated	60,802,109	-	-	-	60,802,109
<b>Total Fund Equity</b>	<b>82,227,029</b>	<b>36,679,346</b>	<b>14,082,164</b>	<b>87,358</b>	<b>133,075,897</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 111,618,990</b>	<b>\$ 36,681,280</b>	<b>\$ 14,083,450</b>	<b>\$ 523,753</b>	<b>\$ 162,907,473</b>

See the accompanying notes to the other supplementary information.

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

June 30, 2018	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Bookstore Fund	Balance Forward
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 98,650,511	\$ -	\$ 76,900,815	\$ -	\$ 175,551,326
Restricted cash and cash equivalents - current	-	-	-	-	-
Accounts receivable - net	8,799,858	-	149,457	-	8,949,315
Prepaid expenses	913,710	-	91,614	-	1,005,324
Inventories	-	-	-	-	-
Due from other funds	9,276	-	86,947	-	96,223
<b>Total Current Assets</b>	<b>108,373,355</b>	<b>-</b>	<b>77,228,833</b>	<b>-</b>	<b>185,602,188</b>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents - noncurrent	36,321,975	-	-	-	36,321,975
Restricted investments	17,854,927	-	-	-	17,854,927
Capital assets - net	357,216	-	-	-	357,216
<b>Total Noncurrent Assets</b>	<b>54,534,118</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54,534,118</b>
<b>TOTAL ASSETS</b>	<b>\$ 162,907,473</b>	<b>\$ -</b>	<b>\$ 77,228,833</b>	<b>\$ -</b>	<b>\$ 240,136,306</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities</b>					
Accounts payable	\$ 13,385,685	\$ -	\$ 3,959,533	\$ -	\$ 17,345,218
Advances from grantors and students	16,357,887	-	-	-	16,357,887
Due to other funds	88,004	-	8,219	-	96,223
Amounts held in trust for others	-	-	-	-	-
<b>Total Liabilities</b>	<b>29,831,576</b>	<b>-</b>	<b>3,967,752</b>	<b>-</b>	<b>33,799,328</b>
<b>Fund Equity</b>					
Fund balances:					
Reserved for debt service	50,761,510	-	-	-	50,761,510
Reserved for special purposes	21,512,278	-	73,261,081	-	94,773,359
Unreserved:					
Undesignated	60,802,109	-	-	-	60,802,109
<b>Total Fund Equity</b>	<b>133,075,897</b>	<b>-</b>	<b>73,261,081</b>	<b>-</b>	<b>206,336,978</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 162,907,473</b>	<b>\$ -</b>	<b>\$ 77,228,833</b>	<b>\$ -</b>	<b>\$ 240,136,306</b>

See the accompanying notes to the other supplementary information.

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

June 30, 2018	Balance Brought Forward	Cafeteria Fund	Student Financial Aid Fund	Balance Forward
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 175,551,326	\$ 601,895	\$ (125,254)	\$ 176,027,967
Restricted cash and cash equivalents - current	-	-	-	-
Accounts receivable - net	8,949,315	25,704	125,254	9,100,273
Prepaid expenses	1,005,324	-	-	1,005,324
Inventories	-	15,911	-	15,911
Due from other funds	96,223	-	-	96,223
<b>Total Current Assets</b>	<b>185,602,188</b>	<b>643,510</b>	<b>-</b>	<b>186,245,698</b>
<b>Noncurrent Assets</b>				
Restricted cash and cash equivalents - noncurrent	36,321,975	-	-	36,321,975
Restricted investments	17,854,927	-	-	17,854,927
Capital assets - net	357,216	-	-	357,216
<b>Total Noncurrent Assets</b>	<b>54,534,118</b>	<b>-</b>	<b>-</b>	<b>54,534,118</b>
<b>TOTAL ASSETS</b>	<b>\$ 240,136,306</b>	<b>\$ 643,510</b>	<b>\$ -</b>	<b>\$ 240,779,816</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities</b>				
Accounts payable	\$ 17,345,218	\$ 46,752	\$ -	\$ 17,391,970
Advances from grantors and students	16,357,887	-	-	16,357,887
Due to other funds	96,223	-	-	96,223
Amounts held in trust for others	-	-	-	-
<b>Total Liabilities</b>	<b>33,799,328</b>	<b>46,752</b>	<b>-</b>	<b>33,846,080</b>
<b>Fund Equity</b>				
Fund balances:				
Reserved for debt service	50,761,510	-	-	50,761,510
Reserved for special purposes	94,773,359	596,758	-	95,370,117
Unreserved:				
Undesignated	60,802,109	-	-	60,802,109
<b>Total Fund Equity</b>	<b>206,336,978</b>	<b>596,758</b>	<b>-</b>	<b>206,933,736</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 240,136,306</b>	<b>\$ 643,510</b>	<b>\$ -</b>	<b>\$ 240,779,816</b>

See the accompanying notes to the other supplementary information.

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

June 30, 2018	Balance Brought Forward	Other Trust Fund	Associated Students Trust Fund	Student Representation Fee Trust Fund	Balance Forward
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 176,027,967	\$ (2,525,889)	\$ -	\$ -	\$ 173,502,078
Restricted cash and cash equivalents - current	-	-	353,534	97,657	451,191
Accounts receivable - net	9,100,273	3,204,776	-	-	12,305,049
Prepaid expenses	1,005,324	8,000	-	-	1,013,324
Inventories	15,911	-	-	-	15,911
Due from other funds	96,223	-	-	-	96,223
<b>Total Current Assets</b>	<b>186,245,698</b>	<b>686,887</b>	<b>353,534</b>	<b>97,657</b>	<b>187,383,776</b>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents - noncurrent	36,321,975	-	-	-	36,321,975
Restricted investments	17,854,927	-	-	-	17,854,927
Capital assets - net	357,216	-	-	-	357,216
<b>Total Noncurrent Assets</b>	<b>54,534,118</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54,534,118</b>
<b>TOTAL ASSETS</b>	<b>\$ 240,779,816</b>	<b>\$ 686,887</b>	<b>\$ 353,534</b>	<b>\$ 97,657</b>	<b>\$ 241,917,894</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities</b>					
Accounts payable	\$ 17,391,970	\$ 112,937	\$ 75,953	\$ 277	\$ 17,581,137
Advances from grantors and students	16,357,887	573,038	93,510	8,363	17,032,798
Due to other funds	96,223	-	-	-	96,223
Amounts held in trust for others	-	-	184,571	89,017	273,588
<b>Total Liabilities</b>	<b>33,846,080</b>	<b>685,975</b>	<b>354,034</b>	<b>97,657</b>	<b>34,983,746</b>
<b>Fund Equity</b>					
Fund balances:					
Reserved for debt service	50,761,510	-	-	-	50,761,510
Reserved for special purposes	95,370,117	912	(500)	-	95,370,529
Unreserved:					
Undesignated	60,802,109	-	-	-	60,802,109
<b>Total Fund Equity</b>	<b>206,933,736</b>	<b>912</b>	<b>(500)</b>	<b>-</b>	<b>206,934,148</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 240,779,816</b>	<b>\$ 686,887</b>	<b>\$ 353,534</b>	<b>\$ 97,657</b>	<b>\$ 241,917,894</b>

See the accompanying notes to the other supplementary information.

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

June 30, 2018	Balance Brought Forward	Student Body Center Fee Trust Fund	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 173,502,078	\$ -	\$ 173,502,078
Restricted cash and cash equivalents - current	451,191	-	451,191
Accounts receivable - net	12,305,049	-	12,305,049
Prepaid expenses	1,013,324	-	1,013,324
Inventories	15,911	-	15,911
Due from other funds	96,223	-	96,223
<b>Total Current Assets</b>	<b>187,383,776</b>	<b>-</b>	<b>187,383,776</b>
<b>Noncurrent Assets</b>			
Restricted cash and cash equivalents - noncurrent	36,321,975	658,438	36,980,413
Restricted investments	17,854,927	-	17,854,927
Capital assets - net	357,216	-	357,216
<b>Total Noncurrent Assets</b>	<b>54,534,118</b>	<b>658,438</b>	<b>55,192,556</b>
<b>TOTAL ASSETS</b>	<b>\$ 241,917,894</b>	<b>\$ 658,438</b>	<b>\$ 242,576,332</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Liabilities</b>			
Accounts payable	\$ 17,581,137	\$ 56	\$ 17,581,193
Advances from grantors and students	17,032,798	32,535	17,065,333
Due to other funds	96,223	-	96,223
Amounts held in trust for others	273,588	625,847	899,435
<b>Total Liabilities</b>	<b>34,983,746</b>	<b>658,438</b>	<b>35,642,184</b>
<b>Fund Equity</b>			
Fund balances:			
Reserved for debt service	50,761,510	-	50,761,510
Reserved for special purposes	95,370,529	-	95,370,529
Unreserved:			
Undesignated	60,802,109	-	60,802,109
<b>Total Fund Equity</b>	<b>206,934,148</b>	<b>-</b>	<b>206,934,148</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 241,917,894</b>	<b>\$ 658,438</b>	<b>\$ 242,576,332</b>

See the accompanying notes to the other 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, 2018	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
<b>Operating Revenues</b>					
Tuition and fees	\$ 30,135,729	\$ -	\$ -	\$ -	\$ 30,135,729
Less: Scholarship discount and allowance	20,459,625	-	-	-	20,459,625
<b>Net Tuition and Fees</b>	9,676,104	-	-	-	9,676,104
Grants and contracts - noncapital:					
Federal	2,851,671	-	-	34,895	2,886,566
State	30,283,424	-	-	1,743,286	32,026,710
Local	2,655,614	(298,993)	-	-	2,356,621
Auxiliary enterprise sales and charges	60,033	-	-	11,462	71,495
Other operating revenues	141,322	-	-	7,894	149,216
<b>Total Operating Revenues</b>	45,668,168	(298,993)	-	1,797,537	47,166,712
<b>Operating Expenditures/Expenses</b>					
Salaries	98,611,281	-	-	1,765,428	100,376,709
Employee benefits	35,287,979	-	-	860,940	36,148,919
Supplies, materials, and other operating expenditures	24,382,342	62,493	3,032	313,517	24,761,384
Capital outlay	4,293,252	-	-	136,501	4,429,753
Utilities	3,244,435	-	-	34,041	3,278,476
Depreciation	24,837	-	-	-	24,837
Payments to students	473,645	-	-	-	473,645
<b>Total Operating Expenditures/Expenses</b>	166,317,771	62,493	3,032	3,110,427	169,493,723
<b>Operating Income (Loss)</b>	(120,649,603)	(361,486)	(3,032)	(1,312,890)	(122,327,011)
<b>Nonoperating Revenues (Expenditures)</b>					
State apportionments - noncapital	44,614,006	-	-	-	44,614,006
Education protection account revenues	18,685,917	-	-	-	18,685,917
Local property taxes - noncapital	64,016,037	(1)	-	-	64,016,036
State taxes and other revenues - noncapital	6,284,804	-	-	-	6,284,804
Investment income - noncapital	1,383,826	-	-	-	1,383,826
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid disbursements	-	-	-	-	-
Other nonoperating revenues/expenditures	701,742	2,649,501	(2,647,687)	847,048	1,550,604
<b>Total Nonoperating Revenues (Expenditures)</b>	135,686,332	2,649,500	(2,647,687)	847,048	136,535,193
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	15,036,729	2,288,014	(2,650,719)	(465,842)	14,208,182
<b>Other Revenues and Expenditures</b>					
Local property taxes and revenues - capital	-	31,810,266	-	-	31,810,266
Investment income - capital	-	259,902	4,461	-	264,363
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	15,036,729	34,358,182	(2,646,258)	(465,842)	46,282,811
<b>Other Financing Sources (Uses)</b>					
Bond proceeds	-	-	-	-	-
Cost of bond issuance	-	-	-	-	-
Operating transfers in	349,232	-	2,688,742	498,602	3,536,576
Operating transfers out	(1,278,100)	-	(2,082,826)	-	(3,360,926)
Debt service	(6,076,956)	(17,074,195)	-	-	(23,151,151)
<b>Total Other Financing Sources (Uses)</b>	(7,005,824)	(17,074,195)	605,916	498,602	(22,975,501)
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	8,030,905	17,283,987	(2,040,342)	32,760	23,307,310
<b>Fund Equity - Beginning of Year</b>	74,196,124	19,395,359	16,122,506	54,598	109,768,587
<b>Fund Equity - End of Year</b>	\$ 82,227,029	\$ 36,679,346	\$ 14,082,164	\$ 87,358	\$ 133,075,897

See the accompanying notes to the other 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, 2018	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Bookstore Fund	Balance Forward
<b>Operating Revenues</b>					
Tuition and fees	\$ 30,135,729	\$ -	\$ (893)	\$ -	\$ 30,134,836
Less: Scholarship discount and allowance	20,459,625	-	-	-	20,459,625
<b>Net Tuition and Fees</b>	9,676,104	-	(893)	-	9,675,211
Grants and contracts - noncapital:					
Federal	2,886,566	-	-	-	2,886,566
State	32,026,710	-	1,494,019	-	33,520,729
Local	2,356,621	-	8,232	-	2,364,853
Auxiliary enterprise sales and charges	71,495	-	-	-	71,495
Other operating revenues	149,216	-	8,080	-	157,296
<b>Total Operating Revenues</b>	47,166,712	-	1,509,438	-	48,676,150
<b>Operating Expenditures/Expenses</b>					
Salaries	100,376,709	-	699,564	-	101,076,273
Employee benefits	36,148,919	-	294,426	-	36,443,345
Supplies, materials, and other operating expenditures	24,761,384	181,456	7,545,849	-	32,488,689
Capital outlay	4,429,753	-	17,533,126	-	21,962,879
Utilities	3,278,476	-	15,027	-	3,293,503
Depreciation	24,837	-	-	-	24,837
Payments to students	473,645	-	-	-	473,645
<b>Total Operating Expenditures/Expenses</b>	169,493,723	181,456	26,087,992	-	195,763,171
<b>Operating Income (Loss)</b>	(122,327,011)	(181,456)	(24,578,554)	-	(147,087,021)
<b>Nonoperating Revenues (Expenditures)</b>					
State apportionments - noncapital	44,614,006	-	-	-	44,614,006
Education protection account revenues	18,685,917	-	-	-	18,685,917
Local property taxes - noncapital	64,016,036	-	-	-	64,016,036
State taxes and other revenues - noncapital	6,284,804	-	-	-	6,284,804
Investment income - noncapital	1,383,826	-	-	-	1,383,826
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid disbursements	-	-	-	-	-
Other nonoperating revenues/expenditures	1,550,604	-	846,484	-	2,397,088
<b>Total Nonoperating Revenues (Expenditures)</b>	136,535,193	-	846,484	-	137,381,677
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	14,208,182	(181,456)	(23,732,070)	-	(9,705,344)
<b>Other Revenues and Expenditures</b>					
Local property taxes and revenues - capital	31,810,266	-	-	-	31,810,266
Investment income - capital	264,363	-	1,003,012	-	1,267,375
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	46,282,811	(181,456)	(22,729,058)	-	23,372,297
<b>Other Financing Sources (Uses)</b>					
Bond proceeds	-	-	-	-	-
Cost of bond issuance	-	-	-	-	-
Operating transfers in	3,536,576	105,236	504,384	-	4,146,196
Operating transfers out	(3,360,926)	-	(857,897)	-	(4,218,823)
Debt service	(23,151,151)	-	-	-	(23,151,151)
<b>Total Other Financing Sources (Uses)</b>	(22,975,501)	105,236	(353,513)	-	(23,223,778)
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	23,307,310	(76,220)	(23,082,571)	-	148,519
<b>Fund Equity - Beginning of Year</b>	109,768,587	76,220	96,343,652	-	206,188,459
<b>Fund Equity - End of Year</b>	\$ 133,075,897	\$ -	\$ 73,261,081	\$ -	\$ 206,336,978

See the accompanying notes to the other 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, 2018	Balance Brought Forward	Cafeteria Fund	Student Financial Aid Fund	Balance Forward
<b>Operating Revenues</b>				
Tuition and fees	\$ 30,134,836	\$ -	\$ -	\$ 30,134,836
Less: Scholarship discount and allowance	20,459,625	-	-	20,459,625
<b>Net Tuition and Fees</b>	<b>9,675,211</b>	<b>-</b>	<b>-</b>	<b>9,675,211</b>
Grants and contracts - noncapital:				
Federal	2,886,566	-	-	2,886,566
State	33,520,729	-	-	33,520,729
Local	2,364,853	-	-	2,364,853
Auxiliary enterprise sales and charges	71,495	1,712,100	-	1,783,595
Other operating revenues	157,296	198,818	-	356,114
<b>Total Operating Revenues</b>	<b>48,676,150</b>	<b>1,910,918</b>	<b>-</b>	<b>50,587,068</b>
<b>Operating Expenditures/Expenses</b>				
Salaries	101,076,273	612,676	-	101,688,949
Employee benefits	36,443,345	352,205	-	36,795,550
Supplies, materials, and other operating expenditures	32,488,689	1,106,909	-	33,595,598
Capital outlay	21,962,879	4,447	-	21,967,326
Utilities	3,293,503	-	-	3,293,503
Depreciation	24,837	-	-	24,837
Payments to students	473,645	-	-	473,645
<b>Total Operating Expenditures/Expenses</b>	<b>195,763,171</b>	<b>2,076,237</b>	<b>-</b>	<b>197,839,408</b>
<b>Operating Income (Loss)</b>	<b>(147,087,021)</b>	<b>(165,319)</b>	<b>-</b>	<b>(147,252,340)</b>
<b>Nonoperating Revenues (Expenditures)</b>				
State apportionments - noncapital	44,614,006	-	-	44,614,006
Education protection account revenues	18,685,917	-	-	18,685,917
Local property taxes - noncapital	64,016,036	-	-	64,016,036
State taxes and other revenues - noncapital	6,284,804	-	-	6,284,804
Investment income - noncapital	1,383,826	-	-	1,383,826
Financial aid revenues - federal	-	-	565,909	565,909
Financial aid revenues - state	-	-	-	-
Financial aid disbursements	-	-	(565,909)	(565,909)
Other nonoperating expenditures/expenses	2,397,088	-	-	2,397,088
<b>Total Nonoperating Revenues (Expenditures)</b>	<b>137,381,677</b>	<b>-</b>	<b>-</b>	<b>137,381,677</b>
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	<b>(9,705,344)</b>	<b>(165,319)</b>	<b>-</b>	<b>(9,870,663)</b>
<b>Other Revenues and Expenditures</b>				
Local property taxes and revenues - capital	31,810,266	-	-	31,810,266
Investment income - capital	1,267,375	-	-	1,267,375
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	<b>23,372,297</b>	<b>(165,319)</b>	<b>-</b>	<b>23,206,978</b>
<b>Other Financing Sources (Uses)</b>				
Bond proceeds	-	-	-	-
Cost of bond issuance	-	-	-	-
Operating transfers in	4,146,196	79,149	-	4,225,345
Operating transfers out	(4,218,823)	(6,022)	-	(4,224,845)
Debt service	(23,151,151)	-	-	(23,151,151)
<b>Total Other Financing Sources (Uses)</b>	<b>(23,223,778)</b>	<b>73,127</b>	<b>-</b>	<b>(23,150,651)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	<b>148,519</b>	<b>(92,192)</b>	<b>-</b>	<b>56,327</b>
<b>Fund Equity - Beginning of Year</b>	<b>206,188,459</b>	<b>688,950</b>	<b>-</b>	<b>206,877,409</b>
<b>Fund Equity - End of Year</b>	<b>\$ 206,336,978</b>	<b>\$ 596,758</b>	<b>\$ -</b>	<b>\$ 206,933,736</b>

See the accompanying notes to the other 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, 2018	Balance Brought Forward	Other Trust Fund	Associated Students Trust Fund	Student Representation Fee Trust Fund	Balance Forward
<b>Operating Revenues</b>					
Tuition and fees	\$ 30,134,836	\$ -	\$ -	\$ -	\$ 30,134,836
Less: Scholarship discount and allowance	20,459,625	-	-	-	20,459,625
<b>Net Tuition and Fees</b>	<b>9,675,211</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,675,211</b>
Grants and contracts - noncapital:					
Federal	2,886,566	-	-	-	2,886,566
State	33,520,729	416,794	-	-	33,937,523
Local	2,364,853	-	-	-	2,364,853
Auxiliary enterprise sales and charges	1,783,595	-	-	-	1,783,595
Other operating revenues	356,114	-	-	-	356,114
<b>Total Operating Revenues</b>	<b>50,587,068</b>	<b>416,794</b>	<b>-</b>	<b>-</b>	<b>51,003,862</b>
<b>Operating Expenditures/Expenses</b>					
Salaries	101,688,949	-	-	-	101,688,949
Employee benefits	36,795,550	-	-	-	36,795,550
Supplies, materials, and other operating expenditures	33,595,598	-	-	-	33,595,598
Capital outlay	21,967,326	-	-	-	21,967,326
Utilities	3,293,503	-	-	-	3,293,503
Depreciation	24,837	-	-	-	24,837
Payments to students	473,645	416,794	-	-	890,439
<b>Total Operating Expenditures/Expenses</b>	<b>197,839,408</b>	<b>416,794</b>	<b>-</b>	<b>-</b>	<b>198,256,202</b>
<b>Operating Income (Loss)</b>	<b>(147,252,340)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(147,252,340)</b>
<b>Nonoperating Revenues (Expenditures)</b>					
State apportionments - noncapital	44,614,006	-	-	-	44,614,006
Education protection account revenues	18,685,917	-	-	-	18,685,917
Local property taxes	64,016,036	-	-	-	64,016,036
State taxes and other revenues - noncapital	6,284,804	-	-	-	6,284,804
Investment income - noncapital	1,383,826	-	-	-	1,383,826
Financial aid revenues - federal	565,909	47,639,718	-	-	48,205,627
Financial aid revenues - state	-	6,741,621	-	-	6,741,621
Financial aid disbursements	(565,909)	(54,381,339)	-	-	(54,947,248)
Other nonoperating expenditures/expenses	2,397,088	-	-	-	2,397,088
<b>Total Nonoperating Revenues (Expenditures)</b>	<b>137,381,677</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>137,381,677</b>
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	<b>(9,870,663)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,870,663)</b>
<b>Other Revenues and Expenditures</b>					
Local property taxes and revenues - capital	31,810,266	-	-	-	31,810,266
Investment income - capital	1,267,375	-	-	-	1,267,375
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	<b>23,206,978</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,206,978</b>
<b>Other Financing Sources (Uses)</b>					
Bond proceeds	-	-	-	-	-
Cost of bond issuance	-	-	-	-	-
Operating transfers in	4,225,345	-	-	-	4,225,345
Operating transfers out	(4,224,845)	-	(500)	-	(4,225,345)
Debt service	(23,151,151)	-	-	-	(23,151,151)
<b>Total Other Financing Sources (Uses)</b>	<b>(23,150,651)</b>	<b>-</b>	<b>(500)</b>	<b>-</b>	<b>(23,151,151)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	<b>56,327</b>	<b>-</b>	<b>(500)</b>	<b>-</b>	<b>55,827</b>
<b>Fund Equity - Beginning of Year</b>	<b>206,877,409</b>	<b>912</b>	<b>-</b>	<b>-</b>	<b>206,878,321</b>
<b>Fund Equity - End of Year</b>	<b>\$ 206,933,736</b>	<b>\$ 912</b>	<b>\$ (500)</b>	<b>\$ -</b>	<b>\$ 206,934,148</b>

See the accompanying notes to the other 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, 2018	Balance Brought Forward	Student Body Center Fee Trust Fund	Total
<b>Operating Revenues</b>			
Tuition and fees	\$ 30,134,836	\$ -	\$ 30,134,836
Less: Scholarship discount and allowance	20,459,625	-	20,459,625
<b>Net Tuition and Fees</b>	9,675,211	-	9,675,211
Grants and contracts - noncapital:			
Federal	2,886,566	-	2,886,566
State	33,937,523	-	33,937,523
Local	2,364,853	-	2,364,853
Auxiliary enterprise sales and charges	1,783,595	-	1,783,595
Other operating revenues	356,114	-	356,114
<b>Total Operating Revenues</b>	51,003,862	-	51,003,862
<b>Operating Expenditures/Expenses</b>			
Salaries	101,688,949	-	101,688,949
Employee benefits	36,795,550	-	36,795,550
Supplies, materials, and other operating expenditures	33,595,598	-	33,595,598
Capital outlay	21,967,326	-	21,967,326
Utilities	3,293,503	-	3,293,503
Depreciation	24,837	-	24,837
Payments to students	890,439	-	890,439
<b>Total Operating Expenditures/Expenses</b>	198,256,202	-	198,256,202
<b>Operating Income (Loss)</b>	(147,252,340)	-	(147,252,340)
<b>Nonoperating Revenues (Expenditures)</b>			
State apportionments - noncapital	44,614,006	-	44,614,006
Education protection account revenues	18,685,917	-	18,685,917
Local property taxes	64,016,036	-	64,016,036
State taxes and other revenues - noncapital	6,284,804	-	6,284,804
Investment income - noncapital	1,383,826	-	1,383,826
Financial aid revenues - federal	48,205,627	-	48,205,627
Financial aid revenues - state	6,741,621	-	6,741,621
Financial aid disbursements	(54,947,248)	-	(54,947,248)
Other nonoperating expenditures/expenses	2,397,088	-	2,397,088
<b>Total Nonoperating Revenues (Expenditures)</b>	137,381,677	-	137,381,677
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	(9,870,663)	-	(9,870,663)
<b>Other Revenues and Expenditures</b>			
Local property taxes and revenues - capital	31,810,266	-	31,810,266
Investment income - capital	1,267,375	-	1,267,375
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	23,206,978	-	23,206,978
<b>Other Financing Sources (Uses)</b>			
Bond proceeds	-	-	-
Cost of bond issuance	-	-	-
Operating transfers in	4,225,345	-	4,225,345
Operating transfers out	(4,225,345)	-	(4,225,345)
Debt service	(23,151,151)	-	(23,151,151)
<b>Total Other Financing Sources (Uses)</b>	(23,151,151)	-	(23,151,151)
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	55,827	-	55,827
<b>Fund Equity - Beginning of Year</b>	206,878,321	-	206,878,321
<b>Fund Equity - End of Year</b>	\$ 206,934,148	\$ -	\$ 206,934,148

See the accompanying notes to the other supplementary information.

**Kern Community College District**  
**RECONCILIATION OF FUND EQUITY TO NET POSITION**

June 30, 2018

<b>Total Fund Equity - District Funds Included in the Reporting Entity</b>	\$ 206,934,148
Assets recorded within the GASB 35 Statement of Net Position not included in the District fund financial statements:	
Depreciable capital assets	\$ 366,290,048
Accumulated depreciation	(127,013,623)
<b>Subtotal</b>	<b>239,276,425</b>
Nondepreciable capital assets	55,174,770
Deferred outflows related to pensions	49,568,849
Deferred loss on refunding	2,370,111
Liabilities recorded within the GASB 35 Statement of Net Position not recorded in the District fund financial statements:	
Accounts payable:	
Interest payable	(3,266,632)
Retentions payable	(659,932)
Net other postemployment benefits liability	(17,217,811)
Pension liabilities	(144,189,196)
Compensated absences	(3,215,925)
Other long-term liabilities	(334,375,677)
Deferred inflows related to pensions	(7,406,599)
<b>Net Assets Reported Within the GASB 35 Statement of Net Position</b>	<b>\$ 42,992,531</b>

*See the accompanying notes to the other supplementary information.*

# Kern Community College District

## RECONCILIATION OF CHANGE IN FUND EQUITY TO CHANGE IN NET POSITION

Year Ended June 30, 2018

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<b>Total Net Change in Fund Equity - District Funds Included in the Reporting Entity</b>	\$ 55,827
Compensated absence expense reduction reported within the GASB 35 Statements	(187,136)
Change in pension expense related to GASB 68	(9,013,188)
Depreciation expense reported within the GASB 35 Statements	(8,296,364)
Amortization of bond premium cost reported within the GASB 35 Statements	1,892,063
Amortization of deferred loss on refunding within the GASB 35 Statements	(273,901)
Capital outlay expense not reported within the GASB 35 Statements	11,477,780
Capitalized interest reported within the GASB 35 Statements	230,150
Decrease in interest expense for capital asset related debt reported within the GASB 35 Statements	(4,533,907)
Principal payments on debt not reported within the GASB 35 Statements	11,233,645
Change in OPEB expense related to GASB 75	(3,979,189)
<b>Net Change in Net Position Reported Within the GASB 35 Statement of Revenues, Expenses, and Changes in Net Assets</b>	<b>\$ (1,394,220)</b>

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*See the accompanying notes to the other supplementary information.*

**1. PURPOSE OF SCHEDULES**

**Schedule of Workload Measures for State General Apportionment Annual Attendance**

The Schedule of Workload Measures for State General Apportionment Annualized Attendance as of June 30, 2018, represents the basis of apportionment of the District's annual source of funding.

**Schedule of Expenditures of Federal Awards**

This schedule includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

Expenditures reported on this schedule are reported on the modified basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The District has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Schedule of Expenditures of State Awards**

This schedule includes the state activity of the District under categorical programs of the state of California for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of the *California Community Colleges Contracted District Audit Manual 2017-18*.

Expenses reported on this schedule are reported 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.



# Kern Community College District

## NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

(Continued)

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### **Reconciliation of Fund Equity to Net Position and Reconciliation of Change in Fund Equity to Change in Net Position**

These schedules provide the information necessary to reconcile the supplemental combining financial schedules 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.

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.

## **3. LOAN PROGRAMS**

The District is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan Program. Accordingly, the value of these outstanding loans is not reflected in the District's financial statements. It is not practical to determine the balance of loans outstanding to students of the District under this program as of June 30, 2018.

## **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, 2018; 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 17, 2018.

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

**Purpose of This Report**

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

*KCoe Team, LLP*

December 17, 2018  
Redding, California

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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) *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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

(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, 2018.

**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 as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

(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 that testing, based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*KCoe Jam, LLP*

December 17, 2018  
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 2017-18*, published by the California Community Colleges Chancellor's Office, for the year ended June 30, 2018. 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 2017-18*, published by the California Community Colleges Chancellor's Office. Those standards and the *California Community Colleges Contracted District Audit Manual 2017-18* 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)

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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  
Dual enrollment (CCAP and Non-CCAP)  
Student equity  
Student success and support program funds  
Scheduled maintenance program  
Gann limit calculation  
Open enrollment  
Proposition 39 clean energy fund  
Disabled student programs and services (DSPS)  
To be arranged hours (TBA)  
Education protection account funds

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### ***Opinion on State Compliance***

In our opinion, the District complied, in all material respects, with the state compliance requirements referred to above that are applicable to the District for the year ended June 30, 2018.

*KCoe Jam, LLP*

December 17, 2018  
Redding, California

## **FINDINGS AND QUESTIONED COSTS SECTION**

**Kern Community College District**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2018

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**SECTION I**  
**SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Is any noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major programs:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	
Student Financial Assistance Cluster	
CFDA Nos: 84.033, 84.063, 84.268, and 84.007	
Threshold for distinguishing types A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**STATE AWARDS**

Compliance over state programs:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for state programs:	Unmodified

**Kern Community College District**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2018  
(Continued)

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**SECTION II FINDINGS**  
**FINANCIAL STATEMENTS AUDIT**

None.

**SECTION III FINDINGS**  
**FEDERAL AWARDS AUDIT**

None.

**SECTION IV FINDINGS**  
**STATE AWARDS AUDIT**

None.

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

**STATE COMPLIANCE (STATE GENERAL APPORTIONMENT FUNDING SYSTEM)**

2017-001

**Significant Deficiency**

**Condition** During our testing of state general apportionment funding system, we noted that for one of our 40 course selections, the District claimed two students for apportionment who dropped the course. Upon examination of the 320 report, we noted this course is a Positive Attendance census type, and the District was eligible to claim the hours the students spent in class prior to dropping for apportionment. However, we noted 54 contact hours were claimed for all students in the course. As these two students dropped prior to the 20% mark, they did not attend the class for 54 contact hours; thus, the District received more apportionment than it was entitled to.

**Criteria** Students in positive attendance census type courses can only be claimed for apportionment for the actual number of hours the students spend in the class.

**Cause** The District believes that the errors were caused by faculty members who input incorrect numbers of contact hours claimed for apportionment.

**Effect** FTES were over reported in the Annual 320 Report by 0.165 for this error. We isolated this error to Positive Attendance courses, and reviewed the entire population of Positive Attendance courses claimed for apportionment for students that were claimed as full semester that may have dropped during the course. We calculated a total error of 6.72 FTES.

**Recommendation** We recommend that the District implement appropriate training for instructors in properly recording hours students spend in class.

**Status** We did not note any similar errors in the current year.