

Kern Community College District

Bakersfield, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2019



Kern Community College District

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Kern Community College District

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Kern Community College District (the District), as of and for the year ended June 30, 2019; and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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, 2019; 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 50 to 56 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 58 to 80, 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 59 to 80 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.

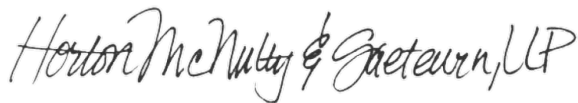
INDEPENDENT AUDITORS' REPORT

(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 10, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.



December 10, 2019
Chico, California

FINANCIAL SECTION

OVERVIEW

The 2018-19 California state budget continued to provide increased resources for the state's community colleges. The District also experienced continued growth in its funding resources.

As the newly implemented Student-Centered Funding Formula continues to evolve, the District continues to take a conservative approach to the changes occurring at the state. Fiscal year 2019-20 is the second year of the new Student-Centered Funding Formula which changed 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 eleventh 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 expenditures exceeded revenues resulting in a decrease in net position of \$2.5 million, decreasing from \$43.0 million to \$40.5 million. This decrease occurred primarily in restricted programs, which is caused by spending down the revenue received in previous years.

The District's total assets and deferred outflows increased by \$78.9 Million. This change is largely due to an increase in cash and equivalents of \$58.2 million (issuance of bonds), an increase in depreciable capital assets of \$5.7 million due to completion of several construction projects, an increase in deferred outflow pensions of \$8.2 million, and an increase of \$11.4 million in non-depreciable capital assets. These increases were partially offset by decreases in restricted investments of \$6.3 million and in deferred outflow related to deferred loss on refunding of \$0.3 million.

The Districts total liabilities and deferred inflows increased \$81.3 million. This increase is primarily due to an increase in pension liabilities of \$18.0 million, an increase in accounts payable of \$6.8 million, an increase in deferred revenues of \$4.5 million due to increase in multi-year grant funding, an increase in long-term debt of \$50.4 million, and an increase in deferred inflows of resources of \$1.4 million.

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

June 30	2019	2018	Change	% Change
Assets				
Current assets:				
Cash and cash equivalents	\$ 225,199,193	\$ 166,980,938	\$ 58,218,255	34.9%
Accounts receivable - net	15,623,206	12,353,030	3,270,176	26.5%
Prepaid expenses	1,007,414	1,013,324	(5,910)	-0.6%
Inventories	17,012	15,911	1,101	6.9%
Total Current Assets	241,846,825	180,363,203	61,483,622	34.1%
Noncurrent assets:				
Restricted cash and cash equivalents	42,666,031	44,060,616	(1,394,585)	-3.2%
Restricted investments	11,524,714	17,854,927	(6,330,213)	-35.5%
Nondepreciable capital assets	66,604,537	55,174,770	11,429,767	20.7%
Depreciable capital assets - net	245,381,168	239,633,641	5,747,527	2.4%
Total Noncurrent Assets	366,176,450	356,723,954	9,452,496	2.6%
Total Assets	608,023,275	537,087,157	70,936,118	13.2%
Deferred Outflows of Resources	\$ 59,880,565	\$ 51,938,960	\$ 7,941,605	15.3%
Liabilities				
Current liabilities:				
Accounts payable	\$ 28,355,264	\$ 21,507,757	\$ 6,847,507	31.8%
Advances from grantors and students	21,575,814	17,065,333	4,510,481	26.4%
Compensated absences - current portion	1,828,872	1,844,873	(16,001)	-0.9%
Long-term debt - current portion	32,112,665	28,898,138	3,214,527	11.1%
Amounts held in trust for others	1,087,081	1,055,288	31,793	3.0%
Total Current Liabilities	84,959,696	70,371,389	14,588,307	20.7%
Noncurrent liabilities:				
Compensated absences - noncurrent portion	1,665,621	1,371,052	294,569	21.5%
Net other postemployment benefits liability	17,096,401	17,217,811	(121,410)	-0.7%
Net pension liabilities	162,222,486	144,189,196	18,033,290	12.5%
Long-term debt - noncurrent portion	352,615,611	305,477,539	47,138,072	15.4%
Total Noncurrent Liabilities	533,600,119	468,255,598	65,344,521	14.0%
Total Liabilities	618,559,815	538,626,987	79,932,828	14.8%
Deferred Inflows of Resources	\$ 8,799,507	\$ 7,406,599	\$ 1,392,908	18.8%
Net Position				
Net investment in capital assets	\$ 83,843,742	\$ 82,222,199	\$ 1,621,543	2.0%
Restricted - expendable	54,568,976	58,192,525	(3,623,549)	-6.2%
Unrestricted	(97,868,200)	(97,422,193)	(446,007)	0.5%
Total Net Position	\$ 40,544,518	\$ 42,992,531	\$ (2,448,013)	-5.7%

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 \$2.5 million, decreasing from \$43.0 million to \$40.5 million. This decrease was primarily due to the increases and decreases in revenues and expenditures as described below.

Expenditures of \$302.5 million exceeded revenues of \$300.0 million, resulting in a decrease in net position of \$2.5 million. Revenues increased \$23.7 million from the prior year. This change was primarily due to increases of financial aid revenues of \$4.8 million, state apportionments – noncapital of \$17.6 million, EPA revenues of \$3.9 million, investment income of \$2.2 million and; offset by decreases in local property taxes (capital and non-capital) of \$4.4 million and other nonoperating revenues of \$1.6 million.

Expenditures increased a net \$24.7 million from the prior year. This change was primarily due to increases in financial aid of \$5.2 million, salaries and benefit costs of \$12.9 million due to staffing and salary increases and increases in benefits, and an increase in supplies, materials, utilities and other expenses of \$6.2 million.

Years Ended June 30	2019	2018	Change	% Change
Operating revenues	\$ 48,408,129	\$ 51,003,862	\$ (2,595,733)	-5.1%
Operating expenses	227,044,780	208,254,299	18,790,481	9.0%
Operating loss	(178,636,651)	(157,250,437)	(21,386,214)	13.6%
Nonoperating revenues and expenses	155,045,631	137,381,676	17,663,955	12.9%
Income (Loss) Before Other Revenue and Expenses	(23,591,020)	(19,868,761)	(3,722,259)	18.7%
Other revenue and expenses	21,143,007	18,474,541	2,668,466	14.4%
Change in Net Position	\$ (2,448,013)	\$ (1,394,220)	\$ (1,053,793)	75.6%

Years Ended June 30	2019	2018	Change	% Change
Cash received from operations	\$ 49,680,227	\$ 49,446,843	\$ 233,384	0.5%
Cash expended for operations	(206,355,140)	(184,288,058)	(22,067,082)	12.0%
Net Cash Used by Operating Activities	(156,674,913)	(134,841,215)	(21,833,698)	16.2%
Net cash provided by noncapital financing activities	153,493,016	136,474,665	17,018,351	12.5%
Net cash provided by (used in) capital and related financing activities	52,122,739	(3,739,008)	55,861,747	-1494.0%
Net cash provided by investing activities	7,882,828	1,380,061	6,502,767	471.2%
Net Change in Cash and Cash Equivalents	56,823,670	(725,497)	57,549,167	-7932.4%
Cash and Cash Equivalents - Beginning of Year	211,041,554	211,767,051	(725,497)	-0.3%
Cash and Cash Equivalents - End of Year	\$ 267,865,224	\$ 211,041,554	\$ 56,823,670	26.9%

Kern Community College District
STATEMENT OF NET POSITION

June 30, 2019

ASSETS

Current Assets

Cash and cash equivalents	\$ 111,399,558
Restricted cash and cash equivalents	113,799,635
Accounts receivable - net	15,623,206
Prepaid expenses	1,007,414
Inventories	17,012

Total Current Assets 241,846,825

Noncurrent Assets

Restricted cash and cash equivalents	42,666,031
Restricted investments	11,524,714
Depreciable capital assets - net	245,381,168
Nondepreciable capital assets	66,604,537

Total Noncurrent Assets 366,176,450

TOTAL ASSETS 608,023,275

Deferred Outflows of Resources

Deferred outflows related to pensions	57,777,523
Deferred loss on refunding - net	2,103,042

Total Deferred Outflows of Resources \$ 59,880,565

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

Kern Community College District

STATEMENT OF NET POSITION

(Continued)

June 30, 2019

LIABILITIES**Current Liabilities**

Accounts payable	\$ 28,355,264
Advances from grantors and students	21,575,814
Compensated absences - current portion	1,828,872
Long-term debt - current portion	32,112,665
Amounts held in trust for others	1,087,081

Total Current Liabilities	84,959,696
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Noncurrent Liabilities

Compensated absences - noncurrent portion	1,665,621
Net other postemployment benefit liability	17,096,401
Net pension liabilities	162,222,486
Long-term debt - noncurrent portion	352,615,611

Total Noncurrent Liabilities	533,600,119
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TOTAL LIABILITIES	618,559,815
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Deferred Inflows of Resources

Deferred inflows related to OPEB	902,984
Deferred inflows related to pensions	7,896,523

Total Deferred Inflows of Resources	8,799,507
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NET POSITION

Net investment in capital assets	83,843,742
Restricted - expendable	54,568,976
Unrestricted	(97,868,200)

TOTAL NET POSITION	\$ 40,544,518
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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, 2019

Operating Revenues	
Tuition and fees	\$ 32,519,486
Less: Scholarship discounts and allowances	22,585,117
Net Tuition and Fees	9,934,369
Grants and contracts - noncapital:	
Federal	4,474,006
State	30,592,148
Local	1,165,024
Auxiliary enterprise sales and charges	1,365,204
Other operating revenue	877,378
Total Operating Revenues	48,408,129
Operating Expenses	
Salaries	110,250,493
Employee benefits	54,329,803
Supplies, materials, and other operating expenses	50,306,918
Utilities	3,591,263
Depreciation	7,661,553
Payments to students	904,750
Total Operating Expenses	227,044,780
Operating Loss	\$ (178,636,651)

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, 2019

Nonoperating Revenues (Expenses)	
State apportionments - noncapital	\$ 65,831,883
Education protection account revenues - noncapital	22,611,938
Local property taxes - noncapital	58,250,508
State taxes and other revenues - noncapital	6,358,869
Investment income - noncapital	1,552,615
Financial aid revenues - federal	50,870,249
Financial aid revenues - state	8,912,378
Financial aid disbursements	(60,141,447)
Other nonoperating revenues (expenses) - noncapital	798,638
Total Nonoperating Revenues (Expenses)	155,045,631
Income Before Other Revenues and Expenses	(23,591,020)
Other Revenues, Expenses, Gains, or Losses	
Local property taxes and revenues - capital	33,222,060
Cost of bond issuance	(246,748)
Investment income - capital	3,279,188
Interest expense - capital asset-related debt	(15,111,493)
Total Other Revenues, Expenses, Gains, or Losses	21,143,007
Change in Net Position	(2,448,013)
Net Position - Beginning of Year	42,992,531
Net Position - End of Year	\$ 40,544,518

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

Kern Community College District
STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 7,702,445
Federal grants and contracts	6,514,069
State grants and contracts	33,640,675
Local grants and contracts	(1,216,676)
Payments to/on behalf of employees	(109,971,925)
Payments for benefits	(42,132,425)
Payments for scholarships and grants	(904,750)
Payments to suppliers	(49,754,777)
Payments for utilities	(3,591,263)
Auxiliary enterprise sales and charges	1,365,204
Other receipts	1,674,510

NET CASH USED IN OPERATING ACTIVITIES (156,674,913)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments - noncapital	65,831,883
Education protection account revenues	22,611,938
Local property taxes	58,250,508
Financial aid revenues - federal	50,870,249
Financial aid revenues - state	5,277,092
Financial aid disbursements	(56,506,161)
State taxes and other revenues	6,358,869
Other receipts (payments)	798,638

NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES 153,493,016

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Local property taxes - capital	33,222,060
Purchases of capital assets	(18,837,995)
Interest paid on capital debt	(14,698,291)
Interest on investments - capital	3,279,188
Bond proceeds received	78,055,915
Principal paid on capital debt	(28,898,138)

NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES \$ 52,122,739

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

Kern Community College District

STATEMENT OF CASH FLOWS

(Continued)

Year Ended June 30, 2019

CASH FLOWS FROM INVESTING ACTIVITIES

Sale of investments	\$ 10,625,671
Purchase of investments	(4,295,458)
Interest on investments - noncapital	1,552,615

NET CASH PROVIDED BY INVESTING ACTIVITIES 7,882,828**Net Change in Cash and Cash Equivalents** 56,823,670**Cash and Cash Equivalents - Beginning of Year** 211,041,554

Cash and Cash Equivalents - End of Year \$ 267,865,224

COMPONENTS OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents	\$ 111,399,558
Restricted cash and cash equivalents - current	113,799,635
Restricted cash and cash equivalents - noncurrent	42,666,031

TOTAL CASH AND CASH EQUIVALENTS \$ 267,865,224

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

Operating loss	\$ (178,636,651)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Allowance for doubtful accounts	1,090,687
Depreciation	7,661,553
Changes in:	
Accounts receivable	(4,360,863)
Prepaid expenses	5,910
Inventories	(1,101)
Deferred outflows related to pension	(8,208,674)
Accounts payable	1,648,596
Advances from grantors and students	4,510,481
Compensated absences	278,568
Amounts held in trust for others	31,793
Net other postemployment benefit liability	(121,410)
Net pension liabilities	18,033,290
Deferred inflows related to OPEB	902,984
Deferred inflows related to pensions	489,924

NET CASH USED IN OPERATING ACTIVITIES \$ (156,674,913)

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)

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 \$6,593,136 for the year ended June 30, 2019.

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)

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.

Contracting Public Agencies	Term	Facilities	Prepaid Amount
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 \$3,061,447 for the year ended June 30, 2019.

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

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.

District contributions subsequent to the measurement date related to pension plans, are reported as deferred outflows of resources in the statement of net position. District contributions subsequent to the measurement date will be amortized during the next fiscal year.

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(s) and would only be recognized as an inflow of resources (revenue) at that time.

Changes in proportion and differences between the District's 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 District's expected and actual experience, are reported as deferred inflows of resources or deferred outflows of resources in the statement of net position. These amounts are amortized over the estimated service lives of the pension plan participants.

Differences between projected and actual earnings on OPEB plan investments and the differences between the District's expected and actual experience, are reported as deferred inflows of resources in the statement of net position. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan.

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

The District also has 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 shorter of the life of the refunded or refunding debt.

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

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

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.

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, 2019, was \$1,866,145.

Implementation of New Accounting Standard

The District adopted the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* for fiscal year ended June 30, 2019. 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. Accordingly, the District's financial statements have been presented in accordance with the guidance from this statement. The update has been applied retrospectively to all periods presented.

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

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The cash and cash equivalents are as follows:

June 30, 2019	
Cash and cash equivalents	\$ 111,399,558
Restricted cash and cash equivalents	156,465,666
Total Cash and Cash Equivalents	\$ 267,865,224

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

June 30, 2019	
Cash in County Treasury	\$ 265,808,894
Cash on hand and in banks	2,056,189
Cash held by trustees	141
Total Cash and Cash Equivalents	\$ 267,865,224

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, 2019, 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, \$1,077,613 of the bank balances at June 30, 2019, are insured.

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

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

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, 2019:

- 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, 2019	Level 1	Level 2
County treasury pool	\$ -	\$ 265,808,894
Investments in LAIF	-	910,126
Bank clearing account	436,340	-
Certificates of deposit	2,718,896	-
Money market	40,689	-
Municipal bonds	-	2,343,567
Corporate bonds and notes:		
Communication	-	245,400
Energy	-	203,516
Financial services	-	1,224,918
Healthcare	-	-
Utilities	-	-
Technology	-	289,168
Other	-	238,859
U.S. Government agency securities	2,715,534	-
Foreign bonds	-	157,701
Total Investments	\$ 5,911,459	\$ 271,422,149

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, 2019	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	436,340	436,340	-	-
Certificates of deposit	2,718,896	245,512	2,473,384	-
Municipal bonds	2,343,567	291,165	2,052,402	-
Money market	40,689	40,689	-	-
Corporate bonds and notes	2,201,861	250,057	1,951,804	-
U.S. Government agency securities	2,715,534	-	2,715,534	-
Foreign bonds	157,701	-	157,701	-
Total Investments	\$ 11,524,714	\$ 2,173,889	\$ 9,350,825	\$ -

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, 2019	Fair Value	Investment Ratings		
		AAA	AA	Unrated
Investment in LAIF	\$ 910,126	\$ -	\$ -	\$ 910,126
Bank clearing account	436,340	-	-	436,340
Certificates of deposit	2,718,896	2,718,896	-	-
Municipal bonds	2,343,567	364,218	1,979,349	-
Money market	40,689	40,689	-	-
Corporate bonds and notes	2,201,861	250,693	1,951,168	-
U.S. Government agency securities	2,715,534	2,715,534	-	-
Foreign bonds	157,701	-	-	157,701
Total Investments	\$11,524,714	\$ 6,090,030	\$ 3,930,517	\$ 1,504,167

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 21% 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)

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, 2019

Tuition and fees	\$ 11,493,476
Less: Allowance for doubtful accounts	6,593,136
Tuition and Fees - Net	4,900,340
Federal grants and contracts	4,243,428
State grants and contracts	3,367,463
Local grants and contracts	1,537,131
State taxes and other revenues	626,865
Other	947,979
Total	\$ 15,623,206

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

4. CAPITAL ASSETS

Capital assets activity is summarized as follows:

June 30, 2019	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Nondepreciable Capital Assets					
Land	\$ 19,277,546	\$ -	\$ -	\$ -	\$ 19,277,546
Construction in progress	35,897,224	22,099,786	-	(10,670,019)	47,326,991
Total Nondepreciable Capital Assets	\$ 55,174,770	\$ 22,099,786	\$ -	\$ (10,670,019)	\$ 66,604,537
Depreciable Capital Assets					
Site improvements	\$ 8,198,420	\$ -	\$ -	\$ -	\$ 8,198,420
Joint use facilities agreements	7,448,375	-	-	-	7,448,375
Buildings and improvements	305,167,059	-	-	10,670,019	315,837,078
Equipment	23,933,919	1,314,392	47,430	-	25,200,881
Computer equipment	19,198,255	732,667	-	-	19,930,922
Vehicles	3,229,949	692,003	25,125	-	3,896,827
Total Depreciable Capital Assets	367,175,977	2,739,062	72,555	10,670,019	380,512,503
Less: Accumulated depreciation	127,542,336	8,218,799	629,800	-	135,131,335
Total Depreciable Assets - Net	\$ 239,633,641	\$ (5,479,737)	\$ 702,355	\$ 10,670,019	\$ 245,381,168

5. ACCOUNTS PAYABLE

Accounts payable consisted of the following:

June 30, 2019	
Accrued payroll and related liabilities	\$ 6,942,945
Construction payables	5,661,123
Interest payable	4,068,572
Other	11,682,624
Total	\$ 28,355,264

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

6. LONG-TERM LIABILITIES

The long-term liability activity is as follows:

June 30, 2019	Beginning Balance	Accretion/ Additions	Reductions	Ending Balance	Current Portion
Certificates of participation Limited obligation	\$ 28,232,440	\$ -	\$ 1,390,359	\$ 26,842,081	\$ 1,220,000
improvement bonds	5,036,917	-	111,583	4,925,334	135,000
General obligation improvement bonds	219,137,212	82,312,186	29,099,506	272,349,892	29,335,000
CEC loans - direct borrowing	4,159,108	-	303,139	3,855,969	307,665
Other postemployment benefit bonds	77,810,000	-	1,055,000	76,755,000	1,115,000
Subtotal	334,375,677	82,312,186	31,959,587	384,728,276	32,112,665
Compensated absences	3,215,925	278,568	-	3,494,493	1,828,872
Net OPEB liability	17,217,811	-	121,410	17,096,401	-
Net pension liabilities	144,189,196	18,033,290	-	162,222,486	-
Total Long-Term Liabilities	\$ 498,998,609	\$ 100,624,044	\$ 32,080,997	\$ 567,541,656	\$ 33,941,537

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

June 30, 2019

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%.	\$ 23,845,000
Unamortized premium on certificates of participation	2,997,081
CERTIFICATES OF PARTICIPATION - NET	26,842,081

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%.	4,980,000
Less: Unamortized discounts	54,666
LIMITED OBLIGATION IMPROVEMENT BONDS - NET	4,925,334
Balance Forward	\$ 31,767,415

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

June 30, 2019

Balance Brought Forward \$ 31,767,415

GENERAL OBLIGATION BONDS

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%. 4,658,106

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%. 1,936,474

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%. 7,400,489

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%. 64,581,030

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%. 3,070,000

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%. 15,720,000

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%. 71,230,000

Bonds issued in the original amount of \$71,230,000, including current interest with final maturity in 2024. Interest rates range from 3.00% to 5.00%. 14,070,000

Balance Forward - General Obligation Bonds \$ 236,441,099

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

June 30, 2019

Balance Brought Forward - General Obligation Bonds	\$ 236,441,099
Bonds issued in the original amount of \$40,225,000, including current interest with final maturity in 2020. Interest rate of 5.00%.	23,375,000
Subtotal	259,816,099
Unamortized premium on general obligation bonds	12,533,793
GENERAL OBLIGATION BONDS - NET	272,349,892
CEC LOAN - DIRECT BORROWING	
Energy Conservation Assistance Loan with a principal amount of \$2,200,000. Final maturity is in 2026, with an interest rate of 3.00%.	1,305,969
Energy Conservation Assistance Loan with a principal amount of \$3,000,000. Final maturity is in 2036, with an interest rate of 0.00%.	2,550,000
CEC LOANS - DIRECT BORROWING	3,855,969
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%.	76,755,000
Subtotal	384,728,276
Less: Current portion	32,112,665
Total Long-Term Liabilities - Noncurrent Portion	\$ 352,615,611

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

Accretion

General obligation bonds as of June 30, 2019, have been increased by \$39,807,185 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	
2020	\$ 32,330,351	\$ 14,154,300	\$ 46,484,651	\$ 3,315,591	\$ 49,800,242
2021	32,320,624	12,783,556	45,104,180	2,524,947	47,629,127
2022	31,081,974	11,563,733	42,645,707	2,137,923	44,783,630
2023	27,377,805	16,147,002	43,524,807	2,023,475	45,548,282
2024	29,466,749	15,209,684	44,676,433	837,202	45,513,635
2025-2029	40,377,502	67,198,860	107,576,362	2,800,267	110,376,629
2030-3034	69,391,437	59,980,952	129,372,389	1,831,048	131,203,437
2035-2039	31,450,000	14,449,892	45,899,892	54,196	45,954,088
2040-2044	20,270,000	8,403,483	28,673,483	-	28,673,483
2045-2047	15,330,000	1,878,426	17,208,426	-	17,208,426
Total	\$ 329,396,442	\$ 221,769,888	551,166,330	15,524,649	566,690,979
Less: Interest (excluding accretion of \$39,807,185)			(181,962,703)	-	(181,962,703)
Net Principal			\$ 369,203,627	\$ 15,524,649	\$ 384,728,276

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, 2019, were \$35,694.

The future minimum lease payments are as follows:

Years Ending June 30	
2020	\$ 27,215
2020	5,973
2021	5,973
2022	3,705
Total	\$ 42,866

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

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, 2019	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS State Teachers' Retirement Plan	\$ 95,583,280	\$ 35,658,240	\$ 7,434,582	\$ 11,513,909
CalPERS School Employer Pool	66,639,206	22,119,283	461,941	13,969,350
Total	\$ 162,222,486	\$ 57,777,523	\$ 7,896,523	\$ 25,483,259

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.

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 multiplied by the number of years of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to a maximum of 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, up to the 2.4% maximum.

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

- **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 multiplied by the number of years 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 10.205% of their salary. The required employer contribution rate for fiscal year 2018-19 was 16.28% of annual payroll. The District's contributions to CalSTRS for the fiscal year ended June 30, 2019, were \$9,374,530.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2019, the District reported a 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, 2019

District's proportionate share of the net pension liability	\$ 95,583,280
State's proportionate share of the net pension liability associated with the District	54,726,166
Total	\$ 150,309,446

The District's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, 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 employers and the state, actuarially determined. At June 30, 2019, the District's proportion was .104%.

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

State Teachers' Retirement Law also requires the state to contribute 9.828% of the members' creditable earnings from the fiscal year ending in the prior calendar year. *California Education Code* section 22950.6 appropriates an additional \$2,246,000,000 from the state's General Fund for the 2018–19 fiscal year to be transferred to the Teachers' Retirement Fund. For the year ended June 30, 2019, the District recognized pension expense of \$1,866,145 and revenue of \$1,866,145 for support provided by the state. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	Deferred Inflows Resources
Changes of assumptions	\$ 14,848,229	\$ -
Net difference between projected and actual earnings on pension plan investments	-	3,680,222
Differences between expected and actual experience	296,400	1,387,088
Changes in proportion and differences between District contributions and proportionate share of contributions	11,139,081	2,367,272
District contributions subsequent to the measurement date	9,374,530	-
Total	\$ 35,658,240	\$ 7,434,582

The \$9,374,530 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, 2020. 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	
2020	\$ 5,329,175
2021	3,950,395
2022	1,442,240
2023	3,392,775
2024	3,645,008
Thereafter	1,089,535
Total	\$ 18,849,128

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

Actuarial Assumptions The total pension liability in the June 30, 2017, actuarial valuation for CalSTRS was determined using the following actuarial assumptions and applied to all periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.10%
Interest on accounts	3.00%
Wage growth	3.50%
Consumer price inflation	2.75%
Post-retirement benefit increases	2.00% simple

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, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2010, 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 inputs 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 expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2018, are summarized in the following table:

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

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 in accordance with the rate increases pursuant to Chapter 47, Statutes of 2014 (AB 1469). 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.

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 7.10%, 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:

June 30, 2019	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 140,018,320	\$ 95,583,280	\$ 58,742,320

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

California Public Employees' Retirement System

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

Benefits Provided The plan provides retirement, disability, 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 Employees' Pension Reform Act are required to contribute 7.00% of their salary. Classic employees are required to contribute 7.00% of their salary. The required employer contribution rate for the 2018-19 fiscal year was 18.062%. The District's contributions to CalPERS for the fiscal year ended June 30, 2019, were \$5,794,189.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2019, the District reported a net pension liability of \$66,639,206 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, 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, 2019, the District's proportion was .2493%.

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

For the year ended June 30, 2019, the District recognized pension expense of \$13,969,356. *California Education Code* section 20825.2 appropriates an additional \$904,000,000 from the state’s General Fund for the 2018–19 fiscal year to be transferred to the Public Employees’ Retirement Fund, for payments relating to school employers’ contributions and unfunded liabilities. No revenue or expenses related to the state’s contribution have been recognized for the year ended June 30, 2019 as the pension amounts reported are based on a June 30, 2018 measurement date. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	Deferred Inflows Resources
Difference between expected and actual experience	\$ 4,368,622	\$ -
Net difference between projected and actual earnings on pension plan investments	546,591	-
Changes in assumptions	6,653,631	-
Changes in proportion and differences between District contributions and proportionate share of contributions	4,756,250	461,941
District contributions subsequent to the measurement date	5,794,189	-
Total	\$ 22,119,283	\$ 461,941

The \$5,794,189 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, 2020. 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		
2020	\$	8,815,144
2021		6,603,298
2021		838,044
2022		(393,333)
Total	\$	15,863,153

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

Actuarial Assumptions The total pension liability in the June 30, 2017, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%

Post-retirement mortality rates are based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

The tables below reflect long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

Asset Class	Target Allocation	Rate of Return	
		Years 1 - 10	Years 11+
Global equity	50%	4.80%	5.98%
Fixed income	28%	1.00%	2.62%
Inflation assets	0%	0.77%	1.81%
Private equity	8%	6.30%	7.23%
Real estate	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
Total	100%		

Discount Rate The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15%, 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:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
June 30, 2019			
District's proportionate share of the net pension liability	\$ 97,023,498	\$ 66,639,206	\$ 41,431,087

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, 2019	
Inactive Plan members or beneficiaries currently receiving benefit payments	500
Active Plan members	777
Total	1,277

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, 2017, 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, 2019, total OPEB liability was based on the actuarial methods and assumptions as shown below.

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

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
Measurement date	June 30, 2017
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return/discount rate	6.00% ⁽¹⁾
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.

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

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.

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

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

Table	Experience Study
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:

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

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.

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

Changes in the Net OPEB Liability

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

Year Ended June 30, 2019	
Total OPEB Liability	
Service cost	\$ 1,383,462
Interest	5,101,500
Difference between expected and actual experience	(756,722)
Benefit payments - including refunds of employee contributions	(5,931,246)
Net Change in Total OPEB Liability	(203,006)
Total OPEB Liability - Beginning of Year	87,677,250
Total OPEB Liability - End of Year (a)	87,474,244
Plan Fiduciary Net Position	
Contributions - employer	1,298,477
Net investment income	4,058,277
Net difference between projected and actual earnings on Plan investments	146,262
Benefit payments - including refunds of employee contributions	(6,687,968)
Administrative expense	(253,487)
Other **	1,356,843
Net Change in Plan Fiduciary Net Position	(81,596)
Plan Fiduciary Net Position - Beginning of Year	70,459,439
Plan Fiduciary Net Position - End of Year (b)	70,377,843
Plan Net OPEB Liability - End of Year ((a) - (b))	\$ 17,096,401
Plan fiduciary net position as a percentage of the total OPEB liability	80.46%
Covered-employee payroll	\$ 29,935,251
District's net OPEB liability as a percentage of covered-employee payroll	57.11%

** Actuarial correction of beginning fiduciary net position

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

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, 2019	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net OPEB liability	\$ 24,869,137	\$ 17,096,401	\$ 10,376,876

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, 2019	1% Decrease (3.00%)	Health Cost Trend Rates (4.00%)	1% Increase (5.00%)
Net OPEB liability	\$ 7,227,743	\$ 17,096,401	\$ 28,611,335

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$2,557,496. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 756,722
Net difference between projected and actual earnings on Plan investments	-	146,262
Total	\$ -	\$ 902,984

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

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

Year Ending June 30		
2020	\$	122,676
2021		122,676
2022		122,676
2023		122,676
2024		122,673
Thereafter		289,607
Total	\$	902,984

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)

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, 2019.

12. COMMITMENTS

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

June 30, 2019

Bakersfield College Student Center/ABC Building	\$ 32,039,549
Bakersfield Memorial Stadium	2,203,337
Bakersfield Veterans Resource Center	2,163,817
Cerro Coso Main Building Modernization	94,037
Porterville College Gym Floor Replacement	222,592
Bakersfield College Welcome Center	487,550
Other	1,146,579
Total	\$ 38,357,461

13. SUBSEQUENT EVENTS

Bonded Debt

In July 2019, the Board of Trustees authorized the issuance of 2019 General Obligation Refunding Bonds (the Bonds) in an amount not to exceed \$62,500,000. On July 23, 2019, the District issued the Bonds in the amount of \$61,315,000 with interest rates ranging from 2.009% to 3.071%. The bonds mature through 2034, in varying amounts from \$1,085,000 to \$12,670,000. The proceeds will be used to refund the Measure G outstanding bond issuances.

Earthquake Damage

In July 2019, the District experienced substantial earthquake related damage to multiple structures on the Cerro Coso College Campus. As of the date of this report, the District has not determined the full amount of the damage. Estimated costs to repair structures is approximately \$2,300,000. The District expects insurance proceeds to cover all but 25% of these costs. Additionally, the District may incur additional costs to improve some of the damaged structures beyond their original condition. The District expects insurance proceeds to cover none of these costs. Since July, many of the repairs are in progress and/or have been completed.

Architectural and Engineering Design Services

On July 22, 2019, the District entered into a contract for architectural and engineering design services in the amount of \$2,018,000 for the Delano Center Learning Resource Center Multi-Purpose Building.

On July 19, 2019, the District entered into a contract for architectural and engineering design services in the amount of \$1,363,000 for the Porterville College Allied Health Building.

14. FUTURE GASB IMPLEMENTATION

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. It establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The District's management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2019, will have on the District's financial statements, if any.

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.

REQUIRED SUPPLEMENTARY INFORMATION

Kern Community College District

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Years Ended June 30	2019	2018
Total OPEB Liability		
Service cost	\$ 1,383,462	\$ 1,346,435
Interest	5,101,500	5,147,159
Difference between expected and actual experience	(756,722)	-
Benefit payments - including refunds of employee contributions	(5,931,246)	(7,895,232)
Net Change in Total OPEB Liability	(203,006)	(1,401,638)
Total OPEB Liability - Beginning of Year	87,677,250	89,078,888
Total OPEB Liability - End of Year (a)	87,474,244	87,677,250
Plan Fiduciary Net Position		
Contributions - employer	1,298,477	-
Net investment income	4,058,277	2,514,945
Net difference between projected and actual earnings on Plan investments	146,262	-
Benefit payments - including refunds of employee contributions	(6,687,968)	(7,895,232)
Administrative expense	(253,487)	(540)
Other **	1,356,843	-
Net Change in Plan Fiduciary Net Position	(81,596)	(5,380,827)
Plan Fiduciary Net Position - Beginning of Year	70,459,439	75,840,266
Plan Fiduciary Net Position - End of Year (b)	70,377,843	70,459,439
Plan Net OPEB Liability - End of Year ((a) - (b))	\$ 17,096,401	\$ 17,217,811
Plan fiduciary net position as a percentage of the total OPEB liability	80.46%	80.36%
Covered-employee payroll	\$ 29,935,251	\$ 27,870,768
District's net OPEB liability as a percentage of covered-employee payroll	57.11%	61.78%

** Actuarial correction of beginning fiduciary net position.

See the accompanying notes to the required supplementary information.

Kern Community College District
SCHEDULE OF INVESTMENT RETURNS - OPEB

<u>Years Ended June 30</u>	<u>2019</u>	<u>2018</u>
<u>Annual money-weighted rate of return - net of investment expense</u>	<u>5.87%</u>	<u>2.62%</u>

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	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.104%	0.096%	0.100%	0.093%	0.088%
District's proportionate share of the net pension liability (asset)	\$ 95,583,280	\$ 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	54,726,166	52,522,399	46,050,890	33,114,397	31,052,681
Total	\$ 150,309,446	\$ 141,303,199	\$ 126,931,890	\$ 84,879,463	\$ 78,637,322
District's covered-employee payroll	\$ 53,787,803	\$ 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	177.70%	169.14%	152.01%	105.04%	103.73%
Plan fiduciary net position as a percentage of the total pension liability	70.99%	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

Years Ended June 30	2019	2018	2017	2016	2015
Contractually required contribution	\$ 9,374,530	\$ 7,761,580	\$ 6,603,211	\$ 5,248,922	\$ 4,093,690
Contributions in relation to the contractually required contribution	(9,374,530)	(7,761,580)	(6,603,211)	(5,248,922)	(4,093,690)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 53,787,803	\$ 52,489,754	\$ 53,207,073	\$ 49,279,833	\$ 45,874,266
Contributions as a percentage of covered-employee payroll	17.43%	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	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.2499%	0.2321%	0.2217%	0.2091%	0.2014%
District's proportionate share of the net pension liability (asset)	\$ 66,639,206	\$ 55,408,396	\$ 43,785,887	\$ 29,375,367	\$ 22,463,999
District's covered-employee payroll	\$ 28,999,884	\$ 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	229.79%	187.21%	147.87%	110.73%	96.98%
Plan fiduciary net position as a percentage of the total pension liability	70.80%	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	2019	2018	2017	2016	2015
Contractually required contribution	\$ 5,794,189	\$ 4,503,972	\$ 4,110,341	\$ 3,156,486	\$ 2,725,027
Contributions in relation to the contractually required contribution	(5,794,189)	(4,503,972)	(4,110,341)	(3,156,486)	(2,725,027)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 28,999,884	\$ 29,596,997	\$ 29,610,250	\$ 26,528,654	\$ 23,164,222
Contributions as a percentage of covered-employee payroll	19.98%	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, 2018.

California Public Employees' Retirement System

There were no significant changes of benefit terms during the measurement period ended June 30, 2018.

3. CHANGES OF ASSUMPTIONS

California State Teachers' Retirement System

There were no significant changes of assumptions during the measurement period ended June 30, 2018.

California Public Employees' Retirement System

In December 2017, the CalPERS Board adopted new mortality assumptions. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected on-going mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%. The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%.

OTHER SUPPLEMENTARY INFORMATION SECTION

Kern Community College District

ORGANIZATION STRUCTURE

June 30, 2019

BOARD OF TRUSTEES

Name	Office	Area	Term Expires
Mr. John S. Corkins	President	Porterville	2022
Mr. Romero Agbalog	Vice President	Northeastern Kern County	2020
Mr. Kyle W. Carter	Clerk	Central Bakersfield	2022
Mrs. Kay Meek	Member	Southwest Bakersfield	2020
Mr. Jack Connell	Member	Ridgecrest, Inyo, Mono, and San Bernardino	2022
Mr. Dennis L. Beebe	Member	Southwest Bakersfield	2020
Ms. Nan Gomez-Heitzeberg	Member	Central Bakersfield	2022

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, 2019

The full-time equivalent resident students (FTES) eligible for 2018-19 state apportionment reported to the state of California are summarized below:

	Reported Data
Summer Intersession (Summer 2018 Only)	
Noncredit	6.12
Credit	269.61
Summer Intersession (Summer 2019 - Prior to July 1, 2019)	
Noncredit	-
Credit	165.75
Primary Terms (Exclusive of Summer Intersession)	
Census Procedure Courses:	
Weekly Census Contact Hours	13,782.63
Daily Census Contact Hours	1,481.68
Actual Hours of Attendance Procedure Courses:	
Noncredit	111.66
Credit	2,013.11
Alternative Attendance Accounting Procedure:	
Weekly Census Contact Hours	2,998.78
Daily Census Contact Hours	725.05
Noncredit Independent Study/Distance Education Courses	-
Total FTES	21,554.39
Subtotal Credit FTES	21,436.61
Subtotal Noncredit FTES	117.78
SUPPLEMENTARY INFORMATION (Subset of Above Information)	
IN-SERVICE TRAINING COURSES (FTES)	332.62
Basic Skills Courses and Immigrant Education	
Noncredit	142.35
Credit	1,155.12
Centers FTES	
Noncredit	14.16
Credit	5,922.09

See the accompanying notes to the other supplementary information.

Kern Community College District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through/Grantor Number	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education			
Child Care Food Program	04352-CACFP-15-CC-CS	10.555	\$ 161,394
Schools and Roads		10.666	6,072
Total Passed Through California Department of Education			167,466
National Resources Conservation Services		10.902	11,817
TOTAL U.S. DEPARTMENT OF AGRICULTURE			179,283
U.S. DEPARTMENT OF THE INTERIOR			
Minerals Leasing Act		15.437	724,354
U.S. DEPARTMENT OF LABOR			
WIA Adult Programs	PA3461	17.250	71,923
Employer's Training Resource - WIA Programs		17.250	64,615
TOTAL U.S. DEPARTMENT OF LABOR			136,538
U.S. DEPARTMENT OF TRANSPORTATION			
Training and Education		20.215	29,231
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Facility Reporting Fee		64.116	9,207
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Work-Study Program		84.033	712,573
Federal Pell Grant Program		84.063	47,860,288
Federal Supplemental Education Opportunity Grant		84.007	697,475
Federal Direct Student Loans		84.268	2,362,787
Total Student Financial Assistance Cluster			51,633,123
Project Workability Bakersfield		84.243	191,173
Passed Through Chancellor's Office			
Career and Technical Education - Basic Grants to States	18-112-023, 18-C01-023	84.048	1,071,686
Title V - Higher Education Institutional Aid		84.031	880,085
Title III - Higher Education Institutional Aid	GRA-2960	84.031	62,255
TOTAL U.S. DEPARTMENT OF EDUCATION			53,838,322
NATIONAL SCIENCE FOUNDATION			
Education and Human Resources		47.076	22,526
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Education			
General Center - Child Care	CCTR-8052	93.596	311,315
Headstart	09HP0036/01	93.600	415,256
Total Passed Through California Department of Education			726,571
Passed Through Center for Disease Control			
Partnership to Improve Community Health	6NU58DP005678-0102	93.331	2,062
Passed Through Chancellor's Office			
Child, Family, and Community Services - Foster Care - Title IV-E	279-2019	93.658	84,624
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			813,257
Total Expenditures of Federal Awards			\$ 55,752,718

See the accompanying notes to the other supplementary information.

Kern Community College District
SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended June 30, 2019

	Program Revenues			
	Cash Received	Accounts Receivable	Deferred Revenue	Total
Extended Opportunity Programs and Services	\$ 2,841,502	\$ -	\$ (80,431)	\$ 2,761,071
CalGrants	5,240,538	35,373	(119)	5,275,792
Disabled Student Programs and Services	1,714,839	-	(10,761)	1,704,078
CalWORKS	662,845	-	-	662,845
Matriculation	6,397,335	-	(3,360,853)	3,036,482
Project Care	447,221	-	-	447,221
BFAP	1,068,668	-	(9,041)	1,059,627
CTE Collaborative Projects	3,569,705	-	(2,164,704)	1,405,001
CAFYES	1,680,041	-	(165,559)	1,514,482
TANF	1,206,621	-	(1,104,710)	101,911
CA Completion Grant	4,066,633	457	(487,589)	3,579,501
Basic Skills	133,052	676,725	(156,661)	653,116
Innovation Award	2,300,000	-	(1,309,688)	990,312
Prop 39 Clean Energy Workforce	760,974	780,866	-	1,541,840
College Promise	-	3,645	-	3,645
Strong Workforce Program	7,903,219	210,508	(3,453,452)	4,660,275
AEBG Data and Accountability	631,609	-	(204,200)	427,409
California Career Pathways	3,715,508	162,939	(5,000)	3,873,447
Student Equity	3,993,865	-	(2,291,187)	1,702,678
California College Promise	739,208	-	(298,224)	440,984
Other State Grants	3,091,769	794,249	(584,412)	3,301,606
All other categorical	2,745,752	214,712	(2,180,435)	780,029
Total State Programs	\$ 54,910,904	\$ 2,879,474	\$ (17,867,026)	\$ 39,923,352

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, 2019

	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
June 30, 2019 - Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 78,256,249	\$ 44,268,685	\$ 12,360,501	\$ 95,574	\$ 134,981,009
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District adjustments	-	-	-	-	-
Reclassification of amounts held for others	-	-	-	-	-
Rounding	-	-	1	(1)	-
Net Adjustments and Reclassifications	-	-	1	(1)	-
June 30, 2019 - District Accounting Records Fund Balance	\$ 78,256,249	\$ 44,268,685	\$ 12,360,502	\$ 95,573	\$ 134,981,009

	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Bookstore Fund	Balance Forward
June 30, 2019 - Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 134,981,009	\$ -	\$ 114,698,678	\$ -	\$ 249,679,687
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District adjustments	-	-	-	-	-
Reclassification of amounts held for others	-	-	-	-	-
Rounding	-	-	-	-	-
Net Adjustments and Reclassifications	-	-	-	-	-
June 30, 2019 - District Accounting Records Fund Balance	\$ 134,981,009	\$ -	\$ 114,698,678	\$ -	\$ 249,679,687

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, 2019

(Continued)

	Balance Brought Forward	Cafeteria Fund	Student Financial Aid Fund	Other Trust Fund	Balance Forward
June 30, 2019 - Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 249,679,687	\$ 174,319	\$ -	\$ 900	\$ 249,854,906
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District adjustments	-	-	-	-	-
Reclassification of amounts held for others	-	-	-	-	-
Rounding	-	1	-	-	1
Net Adjustments and Reclassifications	-	1	-	-	1
June 30, 2019 - District Accounting Records Fund Balance	\$ 249,679,687	\$ 174,320	\$ -	\$ 900	\$ 249,854,907

	Balance Brought Forward	Associated Students Trust Fund	Student Representation Fee Trust Fund	Student Body Center Fee Trust Fund	Total
June 30, 2019 - Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 249,854,906	\$ 384,225	\$ 112,274	\$ 614,584	\$ 250,965,989
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District adjustments	-	-	-	-	-
Reclassification of amounts held for others	-	(384,225)	(112,274)	(614,584)	(1,111,083)
Rounding	1	-	-	-	1
Net Adjustments and Reclassifications	1	(384,225)	(112,274)	(614,584)	(1,111,082)
June 30, 2019 - District Accounting Records Fund Balance	\$ 249,854,907	\$ -	\$ -	\$ -	\$ 249,854,907

See the accompanying notes to the other supplementary information.

Kern Community College District
RECONCILIATION OF 50% LAW CALCULATION
June 30, 2019

	Object Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
ACADEMIC SALARIES							
Instructional Salaries							
Contract or regular	1100	\$ 36,111,579	\$ -	\$ 36,111,579	\$ 36,151,478	\$ -	\$ 36,151,478
Other	1300	15,712,379	-	15,712,379	15,775,798	-	15,775,798
Total Instructional Salaries		51,823,958	-	51,823,958	51,927,276	-	51,927,276
Noninstructional Salaries							
Contract or regular	1200	-	-	-	9,488,765	-	9,488,765
Other	1400	-	-	-	761,201	-	761,201
Total Noninstructional Salaries		-	-	-	10,249,966	-	10,249,966
TOTAL ACADEMIC SALARIES		51,823,958	-	51,823,958	62,177,242	-	62,177,242
CLASSIFIED SALARIES							
Noninstructional Salaries							
Regular status	2100	-	-	-	20,406,382	-	20,406,382
Other	2300	-	-	-	589,099	-	589,099
Total Noninstructional Salaries		-	-	-	20,995,481	-	20,995,481
Instructional Aides							
Regular status	2200	701,530	-	701,530	726,402	-	726,402
Other	2400	1,717,570	-	1,717,570	1,718,079	-	1,718,079
Total Instructional Aides		2,419,100	-	2,419,100	2,444,481	-	2,444,481
TOTAL CLASSIFIED SALARIES		2,419,100	-	2,419,100	23,439,962	-	23,439,962
Other							
Employee benefits	3000	24,664,405	-	24,664,405	41,689,779	-	41,689,779
Supplies and materials	4000	-	-	-	1,529,043	-	1,529,043
Other operating expenses	5000	-	-	-	19,782,958	-	19,782,958
Equipment replacement	6420	-	-	-	-	-	-
Total Other		24,664,405	-	24,664,405	63,001,780	-	63,001,780
Total Expenditures Prior to Exclusions		\$ 78,907,463	\$ -	\$ 78,907,463	\$ 148,618,984	\$ -	\$ 148,618,984

See the accompanying notes to the other supplementary information.

Kern Community College District
RECONCILIATION OF 50% LAW CALCULATION
 June 30, 2019
 (Continued)

	Object Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
EXCLUSIONS							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentive:	5900	\$ 7,384,884	\$ -	\$ 7,384,884	\$ 7,384,884	\$ -	\$ 7,384,884
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	21,056	-	21,056
Noninstructional Staff Retirees' Benefits and Retirement Incentive:	6740	-	-	-	2,273,709	-	2,273,709
Total Instructional Salaries		7,384,884	-	7,384,884	9,679,649	-	9,679,649
Objects to Exclude							
Rents and leases	5060	-	-	-	1,318,224	-	1,318,224
Lottery expenditures:							
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
Subtotal		-	-	-	1,318,224	-	1,318,224
Supplies and materials:	4000						
Software	4100	-	-	-	-	-	-
Books, magazines, and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	443,899	-	443,899
Noninstructional supplies and materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	443,899	-	443,899
Other operating expenses and services	5000	-	-	-	2,922,055	-	2,922,055
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Subtotal		-	-	-	2,922,055	-	2,922,055
Equipment	6400	-	-	-	-	-	-
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other outgo	7000	-	-	-	-	-	-
TOTAL EXCLUSIONS		7,384,884	-	7,384,884	14,363,827	-	14,363,827
Total for ECS 84362 - 50% Law		\$ 71,522,579	\$ -	\$ 71,522,579	\$ 134,255,157	\$ -	\$ 134,255,157
Percentage of CEE (Instructional Salary Cost/Total CEE)		53.27%	0.00%	53.27%			
50% of Current Expense of Education					\$ 67,127,580	\$ -	\$ 67,127,580

See the accompanying notes to the other supplementary information.

Kern Community College District
 RECONCILIATION OF EDUCATION PROTECTION
 ACCOUNT EXPENDITURES
 June 30, 2019

	Object Code	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
EPA Proceeds	8630			\$	22,611,938
Activity Classification					
Instructional activities	0100-5900	\$ 22,611,938	\$ -	\$ -	22,611,938
Total Expenditures for EPA		\$ -	\$ -	\$ -	22,611,938
Total Revenue Less Expenditures				\$	-

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, 2019	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 102,665,477	\$ -	\$ 801,856	\$ (24,517)	\$ 103,442,816
Restricted cash and cash equivalents - current	-	-	-	-	-
Accounts receivable - net	12,438,117	475,557	32,447	443,460	13,389,581
Prepaid expenses	977,995	-	-	-	977,995
Inventories	-	-	-	-	-
Due from other funds	1,041	-	1,485	-	2,526
Total Current Assets	116,082,630	475,557	835,788	418,943	117,812,918
Noncurrent Assets					
Restricted cash and cash equivalents - noncurrent	-	43,794,726	-	-	43,794,726
Restricted investments	-	-	11,524,714	-	11,524,714
Capital assets - net	332,380	-	-	-	332,380
Total Noncurrent Assets	332,380	43,794,726	11,524,714	-	55,651,820
TOTAL ASSETS	\$ 116,415,010	\$ 44,270,283	\$ 12,360,502	\$ 418,943	\$ 173,464,738
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 17,842,429	\$ -	\$ -	\$ 98,069	\$ 17,940,498
Advances from grantors and students	20,228,768	-	-	225,301	20,454,069
Due to other funds	87,564	1,598	-	-	89,162
Amounts held in trust for others	-	-	-	-	-
Total Liabilities	38,158,761	1,598	-	323,370	38,483,729
Fund Equity					
Fund balances:					
Reserved for debt service	-	44,268,685	12,360,502	-	56,629,187
Reserved for special purposes	10,203,814	-	-	95,573	10,299,387
Unreserved:					
Undesignated	68,052,435	-	-	-	68,052,435
Total Fund Equity	78,256,249	44,268,685	12,360,502	95,573	134,981,009
TOTAL LIABILITIES AND FUND EQUITY	\$ 116,415,010	\$ 44,270,283	\$ 12,360,502	\$ 418,943	\$ 173,464,738

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, 2019	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Bookstore Fund	Balance Forward
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 103,442,816	\$ -	\$ 119,638,500	\$ -	\$ 223,081,316
Restricted cash and cash equivalents - current	-	-	-	-	-
Accounts receivable - net	13,389,581	-	569,108	-	13,958,689
Prepaid expenses	977,995	-	28,298	-	1,006,293
Inventories	-	-	-	-	-
Due from other funds	2,526	-	40,695	-	43,221
Total Current Assets	117,812,918	-	120,276,601	-	238,089,519
Noncurrent Assets					
Restricted cash and cash equivalents - noncurrent	43,794,726	-	-	-	43,794,726
Restricted investments	11,524,714	-	-	-	11,524,714
Capital assets - net	332,380	-	-	-	332,380
Total Noncurrent Assets	55,651,820	-	-	-	55,651,820
TOTAL ASSETS	\$ 173,464,738	\$ -	\$ 120,276,601	\$ -	\$ 293,741,339
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 17,940,498	\$ -	\$ 5,576,995	\$ -	\$ 23,517,493
Advances from grantors and students	20,454,069	-	-	-	20,454,069
Due to other funds	89,162	-	928	-	90,090
Amounts held in trust for others	-	-	-	-	-
Total Liabilities	38,483,729	-	5,577,923	-	44,061,652
Fund Equity					
Fund balances:					
Reserved for debt service	56,629,187	-	-	-	56,629,187
Reserved for special purposes	10,299,387	-	114,698,678	-	124,998,065
Unreserved:					
Undesignated	68,052,435	-	-	-	68,052,435
Total Fund Equity	134,981,009	-	114,698,678	-	249,679,687
TOTAL LIABILITIES AND FUND EQUITY	\$ 173,464,738	\$ -	\$ 120,276,601	\$ -	\$ 293,741,339

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, 2019	Balance Brought Forward	Cafeteria Fund	Student Financial Aid Fund	Balance Forward
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 223,081,316	\$ 204,389	\$ (578,246)	\$ 222,707,459
Restricted cash and cash equivalents - current	-	-	-	-
Accounts receivable - net	13,958,689	9,948	553,110	14,521,747
Prepaid expenses	1,006,293	-	-	1,006,293
Inventories	-	17,012	-	17,012
Due from other funds	43,221	-	25,424	68,645
Total Current Assets	238,089,519	231,349	288	238,321,156
Noncurrent Assets				
Restricted cash and cash equivalents - noncurrent	43,794,726	-	-	43,794,726
Restricted investments	11,524,714	-	-	11,524,714
Capital assets - net	332,380	-	-	332,380
Total Noncurrent Assets	55,651,820	-	-	55,651,820
TOTAL ASSETS	\$ 293,741,339	\$ 231,349	\$ 288	\$ 293,972,976
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable	\$ 23,517,493	\$ 57,029	\$ 288	\$ 23,574,810
Advances from grantors and students	20,454,069	-	-	20,454,069
Due to other funds	90,090	-	-	90,090
Amounts held in trust for others	-	-	-	-
Total Liabilities	44,061,652	57,029	288	44,118,969
Fund Equity				
Fund balances:				
Reserved for debt service	56,629,187	-	-	56,629,187
Reserved for special purposes	124,998,065	174,320	-	125,172,385
Unreserved:				
Undesignated	68,052,435	-	-	68,052,435
Total Fund Equity	249,679,687	174,320	-	249,854,007
TOTAL LIABILITIES AND FUND EQUITY	\$ 293,741,339	\$ 231,349	\$ 288	\$ 293,972,976

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, 2019	Balance Brought Forward	Other Trust Fund	Associated Students Trust Fund	Student Representation Fee Trust Fund	Balance Forward
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 222,707,459	\$ (32,557)	\$ -	\$ -	\$ 222,674,902
Restricted cash and cash equivalents - current	-	-	384,282	130,577	514,859
Accounts receivable - net	14,521,747	1,055,715	-	-	15,577,462
Prepaid expenses	1,006,293	1,121	-	-	1,007,414
Inventories	17,012	-	-	-	17,012
Due from other funds	68,645	21,445	-	-	90,090
Total Current Assets	238,321,156	1,045,724	384,282	130,577	239,881,739
Noncurrent Assets					
Restricted cash and cash equivalents - noncurrent	43,794,726	-	-	-	43,794,726
Restricted investments	11,524,714	-	-	-	11,524,714
Capital assets - net	332,380	-	-	-	332,380
Total Noncurrent Assets	55,651,820	-	-	-	55,651,820
TOTAL ASSETS	\$ 293,972,976	\$ 1,045,724	\$ 384,282	\$ 130,577	\$ 295,533,559
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 23,574,810	\$ 92,266	\$ 87,619	\$ 2,420	\$ 23,757,115
Advances from grantors and students	20,454,069	952,558	123,626	15,882	21,546,135
Due to other funds	90,090	-	-	-	90,090
Amounts held in trust for others	-	-	173,037	112,275	285,312
Total Liabilities	44,118,969	1,044,824	384,282	130,577	45,678,652
Fund Equity					
Fund balances:					
Reserved for debt service	56,629,187	-	-	-	56,629,187
Reserved for special purposes	125,172,385	900	-	-	125,173,285
Unreserved:					
Undesignated	68,052,435	-	-	-	68,052,435
Total Fund Equity	249,854,007	900	-	-	249,854,907
TOTAL LIABILITIES AND FUND EQUITY	\$ 293,972,976	\$ 1,045,724	\$ 384,282	\$ 130,577	\$ 295,533,559

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, 2019	Balance Brought Forward	Student Body Center Fee Trust Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 222,674,902	\$ -	\$ 222,674,902
Restricted cash and cash equivalents - current	514,859	-	514,859
Accounts receivable - net	15,577,462	-	15,577,462
Prepaid expenses	1,007,414	-	1,007,414
Inventories	17,012	-	17,012
Due from other funds	90,090	-	90,090
Total Current Assets	239,881,739	-	239,881,739
Noncurrent Assets			
Restricted cash and cash equivalents - noncurrent	43,794,726	644,594	44,439,320
Restricted investments	11,524,714	-	11,524,714
Capital assets - net	332,380	-	332,380
Total Noncurrent Assets	55,651,820	644,594	56,296,414
TOTAL ASSETS	\$ 295,533,559	\$ 644,594	\$ 296,178,153
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts payable	\$ 23,757,115	\$ 328	\$ 23,757,443
Advances from grantors and students	21,546,135	29,679	21,575,814
Due to other funds	90,090	-	90,090
Amounts held in trust for others	285,312	614,587	899,899
Total Liabilities	45,678,652	644,594	46,323,246
Fund Equity			
Fund balances:			
Reserved for debt service	56,629,187	-	56,629,187
Reserved for special purposes	125,173,285	-	125,173,285
Unreserved:			
Undesignated	68,052,435	-	68,052,435
Total Fund Equity	249,854,907	-	249,854,907
TOTAL LIABILITIES AND FUND EQUITY	\$ 295,533,559	\$ 644,594	\$ 296,178,153

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, 2019	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
Operating Revenues					
Tuition and fees	\$ 32,519,549	\$ -	\$ -	\$ -	\$ 32,519,549
Less: Scholarship discount and allowance	22,585,117	-	-	-	22,585,117
Net Tuition and Fees	9,934,432	-	-	-	9,934,432
Grants and contracts - noncapital:					
Federal	3,586,041	-	-	887,965	4,474,006
State	36,719,877	-	-	2,227,885	38,947,762
Local	1,164,998	26	-	-	1,165,024
Auxiliary enterprise sales and charges	97,021	-	-	16,707	113,728
Other operating revenues	599,814	-	-	8,889	608,703
Total Operating Revenues	52,102,183	26	-	3,141,446	55,243,655
Operating Expenditures/Expenses					
Salaries	106,712,880	-	-	2,026,983	108,739,863
Employee benefits	50,575,334	-	-	1,155,129	51,730,463
Supplies, materials, and other operating expenditu	33,364,426	86,908	2,659,196	336,806	36,447,336
Capital outlay	7,356,262	-	-	77,878	7,434,140
Utilities	3,550,078	-	-	37,267	3,587,345
Depreciation	24,837	-	-	-	24,837
Payments to students	520,026	-	-	-	520,026
Total Operating Expenditures/Expenses	202,103,843	86,908	2,659,196	3,634,063	208,484,010
Operating Income (Loss)	(150,001,660)	(86,882)	(2,659,196)	(492,617)	(153,240,355)
Nonoperating Revenues (Expenditures)					
State apportionments - noncapital	65,831,883	-	-	-	65,831,883
Education protection account revenues	22,611,938	-	-	-	22,611,938
Local property taxes - noncapital	58,250,508	-	-	-	58,250,508
State taxes and other revenues - noncapital	6,358,869	-	-	-	6,358,869
Investment income - noncapital	1,552,615	-	-	-	1,552,615
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid disbursements	(358,820)	-	-	-	(358,820)
Other nonoperating revenues/expenditures	638,999	2,645,424	-	-	3,284,423
Total Nonoperating Revenues (Expenditures)	154,885,992	2,645,424	-	-	157,531,416
Income (Loss) Before Other Revenues and Expenditures/Expenses	4,884,332	2,558,542	(2,659,196)	(492,617)	4,291,061
Other Revenues and Expenditures					
Local property taxes and revenues - capital	-	33,222,060	-	-	33,222,060
Investment income - capital	-	651,465	321,916	-	973,381
Excess of Revenues Over (Under) Expenditures/Expenses	4,884,332	36,432,067	(2,337,280)	(492,617)	38,486,502
Other Financing Sources (Uses)					
Bond proceeds	-	7,072,663	-	-	7,072,663
Operating transfers in	951,759	-	617,409	500,832	2,070,000
Operating transfers out	(3,729,715)	-	(1,791)	-	(3,731,506)
Debt service	(6,077,156)	(35,915,391)	-	-	(41,992,547)
Total Other Financing Sources (Uses)	(8,855,112)	(28,842,728)	615,618	500,832	(36,581,390)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	(3,970,780)	7,589,339	(1,721,662)	8,215	1,905,112
Fund Equity - Beginning of Year	82,227,029	36,679,346	14,082,164	87,358	133,075,897
Fund Equity - End of Year	\$ 78,256,249	\$ 44,268,685	\$ 12,360,502	\$ 95,573	\$ 134,981,009

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, 2019	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Bookstore Fund	Balance Forward
Operating Revenues					
Tuition and fees	\$ 32,519,549	\$ -	\$ (63)	\$ -	\$ 32,519,486
Less: Scholarship discount and allowance	22,585,117	-	-	-	22,585,117
Net Tuition and Fees	9,934,432	-	(63)	-	9,934,369
Grants and contracts - noncapital:					
Federal	4,474,006	-	-	-	4,474,006
State	38,947,762	-	320,832	-	39,268,594
Local	1,165,024	-	-	-	1,165,024
Auxiliary enterprise sales and charges	113,728	-	-	-	113,728
Other operating revenues	608,703	-	-	-	608,703
Total Operating Revenues	55,243,655	-	320,769	-	55,564,424
Operating Expenditures/Expenses					
Salaries	108,739,863	-	669,654	-	109,409,517
Employee benefits	51,730,463	-	292,004	-	52,022,467
Supplies, materials, and other operating expenditu	36,447,336	-	8,034,191	-	44,481,527
Capital outlay	7,434,140	-	24,872,372	-	32,306,512
Utilities	3,587,345	-	3,918	-	3,591,263
Depreciation	24,837	-	-	-	24,837
Payments to students	520,026	-	-	-	520,026
Total Operating Expenditures/Expenses	208,484,010	-	33,872,139	-	242,356,149
Operating Income (Loss)	(153,240,355)	-	(33,551,370)	-	(186,791,725)
Nonoperating Revenues (Expenditures)					
State apportionments - noncapital	65,831,883	-	-	-	65,831,883
Education protection account revenues	22,611,938	-	-	-	22,611,938
Local property taxes - noncapital	58,250,508	-	-	-	58,250,508
State taxes and other revenues - noncapital	6,358,869	-	-	-	6,358,869
Investment income - noncapital	1,552,615	-	-	-	1,552,615
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid disbursements	(358,820)	-	-	-	(358,820)
Other nonoperating revenues/expenditures	3,284,423	-	149,651	-	3,434,074
Total Nonoperating Revenues (Expenditures)	157,531,416	-	149,651	-	157,681,067
Income (Loss) Before Other Revenues and Expenditures/Expenses	4,291,061	-	(33,401,719)	-	(29,110,658)
Other Revenues and Expenditures					
Local property taxes and revenues - capital	33,222,060	-	-	-	33,222,060
Investment income - capital	973,381	-	2,305,807	-	3,279,188
Excess of Revenues Over (Under) Expenditures/Expenses	38,486,502	-	(31,095,912)	-	7,390,590
Other Financing Sources (Uses)					
Bond proceeds	7,072,663	-	70,983,252	-	78,055,915
Operating transfers in	2,070,000	-	1,670,043	-	3,740,043
Operating transfers out	(3,731,506)	-	(119,786)	-	(3,851,292)
Debt service	(41,992,547)	-	-	-	(41,992,547)
Total Other Financing Sources (Uses)	(36,581,390)	-	72,533,509	-	35,952,119
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses					
	1,905,112	-	41,437,597	-	43,342,709
Fund Equity - Beginning of Year	133,075,897	-	73,261,081	-	206,336,978
Fund Equity - End of Year	\$ 134,981,009	\$ -	\$ 114,698,678	\$ -	\$ 249,679,687

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, 2019	Balance Brought Forward	Cafeteria Fund	Student Financial Aid Fund	Balance Forward
Operating Revenues				
Tuition and fees	\$ 32,519,486	\$ -	\$ -	\$ 32,519,486
Less: Scholarship discount and allowance	22,585,117	-	-	22,585,117
Net Tuition and Fees	9,934,369	-	-	9,934,369
Grants and contracts - noncapital:				
Federal	4,474,006	-	-	4,474,006
State	39,268,594	-	-	39,268,594
Local	1,165,024	-	-	1,165,024
Auxiliary enterprise sales and charges	113,728	1,251,476	-	1,365,204
Other operating revenues	608,703	268,675	-	877,378
Total Operating Revenues	55,564,424	1,520,151	-	57,084,575
Operating Expenditures/Expenses				
Salaries	109,409,517	527,386	-	109,936,903
Employee benefits	52,022,467	307,905	-	52,330,372
Supplies, materials, and other operating expenditures	44,481,527	1,013,572	-	45,495,099
Capital outlay	32,306,512	213,753	-	32,520,265
Utilities	3,591,263	-	-	3,591,263
Depreciation	24,837	-	-	24,837
Payments to students	520,026	-	-	520,026
Total Operating Expenditures/Expenses	242,356,149	2,062,616	-	244,418,765
Operating Income (Loss)	(186,791,725)	(542,465)	-	(187,334,190)
Nonoperating Revenues (Expenditures)				
State apportionments - noncapital	65,831,883	-	-	65,831,883
Education protection account revenues	22,611,938	-	-	22,611,938
Local property taxes - noncapital	58,250,508	-	-	58,250,508
State taxes and other revenues - noncapital	6,358,869	-	-	6,358,869
Investment income - noncapital	1,552,615	-	-	1,552,615
Financial aid revenues - federal	-	-	697,475	697,475
Financial aid revenues - state	-	-	-	-
Financial aid disbursements	(358,820)	-	(697,475)	(1,056,295)
Other nonoperating revenues/expenditures	3,434,074	8,778	-	3,442,852
Total Nonoperating Revenues (Expenditures)	157,681,067	8,778	-	157,689,845
Income (Loss) Before Other Revenues and Expenditures/Expenses	(29,110,658)	(533,687)	-	(29,644,345)
Other Revenues and Expenditures				
Local property taxes and revenues - capital	33,222,060	-	-	33,222,060
Investment income - capital	3,279,188	-	-	3,279,188
Excess of Revenues Over (Under) Expenditures/Expenses	7,390,590	(533,687)	-	6,856,903
Other Financing Sources (Uses)				
Bond proceeds	78,055,915	-	-	78,055,915
Operating transfers in	3,740,043	111,249	-	3,851,292
Operating transfers out	(3,851,292)	-	-	(3,851,292)
Debt service	(41,992,547)	-	-	(41,992,547)
Total Other Financing Sources (Uses)	35,952,119	111,249	-	36,063,368
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	43,342,709	(422,438)	-	42,920,271
Fund Equity - Beginning of Year	206,336,978	596,758	-	206,933,736
Fund Equity - End of Year	\$ 249,679,687	\$ 174,320	\$ -	\$ 249,854,007

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, 2019	Balance Brought Forward	Other Trust Fund	Associated Students Trust Fund	Student Representation Fee Trust Fund	Balance Forward
Operating Revenues					
Tuition and fees	\$ 32,519,486	\$ -	\$ -	\$ -	\$ 32,519,486
Less: Scholarship discount and allowance	22,585,117	-	-	-	22,585,117
Net Tuition and Fees	9,934,369	-	-	-	9,934,369
Grants and contracts - noncapital:					
Federal	4,474,006	-	-	-	4,474,006
State	39,268,594	440,980	-	-	39,709,574
Local	1,165,024	-	-	-	1,165,024
Auxiliary enterprise sales and charges	1,365,204	-	-	-	1,365,204
Other operating revenues	877,378	-	-	-	877,378
Total Operating Revenues	57,084,575	440,980	-	-	57,525,555
Operating Expenditures/Expenses					
Salaries	109,936,903	35,525	-	-	109,972,428
Employee benefits	52,330,372	20,731	-	-	52,351,103
Supplies, materials, and other operating expenditu	45,495,099	-	-	-	45,495,099
Capital outlay	32,520,265	1,211	-	-	32,521,476
Utilities	3,591,263	-	-	-	3,591,263
Depreciation	24,837	-	-	-	24,837
Payments to students	520,026	384,724	-	-	904,750
Total Operating Expenditures/Expenses	244,418,765	442,191	-	-	244,860,956
Operating Income (Loss)	(187,334,190)	(1,211)	-	-	(187,335,401)
Nonoperating Revenues (Expenditures)					
State apportionments - noncapital	65,831,883	-	-	-	65,831,883
Education protection account revenues	22,611,938	-	-	-	22,611,938
Local property taxes	58,250,508	-	-	-	58,250,508
State taxes and other revenues - noncapital	6,358,869	-	-	-	6,358,869
Investment income - noncapital	1,552,615	-	-	-	1,552,615
Financial aid revenues - federal	697,475	50,172,774	-	-	50,870,249
Financial aid revenues - state	-	8,912,378	-	-	8,912,378
Financial aid disbursements	(1,056,295)	(59,085,152)	-	-	(60,141,447)
Other nonoperating revenues/expenditures	3,442,852	1,211	-	-	3,444,063
Total Nonoperating Revenues (Expenditures)	157,689,845	1,211	-	-	157,691,056
Income (Loss) Before Other Revenues and Expenditures/Expenses	(29,644,345)	-	-	-	(29,644,345)
Other Revenues and Expenditures					
Local property taxes and revenues - capital	33,222,060	-	-	-	33,222,060
Investment income - capital	3,279,188	-	-	-	3,279,188
Excess of Revenues Over (Under) Expenditures/Expenses	6,856,903	-	-	-	6,856,903
Other Financing Sources (Uses)					
Bond proceeds	78,055,915	-	-	-	78,055,915
Operating transfers in	3,851,292	-	-	-	3,851,292
Operating transfers out	(3,851,292)	-	-	-	(3,851,292)
Debt service	(41,992,547)	-	-	-	(41,992,547)
Total Other Financing Sources (Uses)	36,063,368	-	-	-	36,063,368
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	42,920,271	-	-	-	42,920,271
Fund Equity - Beginning of Year	206,933,736	900	-	-	206,934,636
Fund Equity - End of Year	\$ 249,854,007	\$ 900	\$ -	\$ -	\$ 249,854,907

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, 2019	Balance Brought Forward	Student Body Center Fee Trust Fund	Total
Operating Revenues			
Tuition and fees	\$ 32,519,486	\$ -	\$ 32,519,486
Less: Scholarship discount and allowance	22,585,117	-	22,585,117
Net Tuition and Fees	9,934,369	-	9,934,369
Grants and contracts - noncapital:			
Federal	4,474,006	-	4,474,006
State	39,709,574	-	39,709,574
Local	1,165,024	-	1,165,024
Auxiliary enterprise sales and charges	1,365,204	-	1,365,204
Other operating revenues	877,378	-	877,378
Total Operating Revenues	57,525,555	-	57,525,555
Operating Expenditures/Expenses			
Salaries	109,972,428	-	109,972,428
Employee benefits	52,351,103	-	52,351,103
Supplies, materials, and other operating expenditures	45,495,099	-	45,495,099
Capital outlay	32,521,476	-	32,521,476
Utilities	3,591,263	-	3,591,263
Depreciation	24,837	-	24,837
Payments to students	904,750	-	904,750
Total Operating Expenditures/Expenses	244,860,956	-	244,860,956
Operating Income (Loss)	(187,335,401)	-	(187,335,401)
Nonoperating Revenues (Expenditures)			
State apportionments - noncapital	65,831,883	-	65,831,883
Education protection account revenues	22,611,938	-	22,611,938
Local property taxes	58,250,508	-	58,250,508
State taxes and other revenues - noncapital	6,358,869	-	6,358,869
Investment income - noncapital	1,552,615	-	1,552,615
Financial aid revenues - federal	50,870,249	-	50,870,249
Financial aid revenues - state	8,912,378	-	8,912,378
Financial aid disbursements	(60,141,447)	-	(60,141,447)
Other nonoperating expenditures/expenses	3,444,063	-	3,444,063
Total Nonoperating Revenues (Expenditures)	157,691,056	-	157,691,056
Income (Loss) Before Other Revenues and Expenditures/Expenses	(29,644,345)	-	(29,644,345)
Other Revenues and Expenditures			
Local property taxes and revenues - capital	33,222,060	-	33,222,060
Investment income - capital	3,279,188	-	3,279,188
Excess of Revenues Over (Under) Expenditures/Expenses	6,856,903	-	6,856,903
Other Financing Sources (Uses)			
Bond proceeds	78,055,915	-	78,055,915
Operating transfers in	3,851,292	-	3,851,292
Operating transfers out	(3,851,292)	-	(3,851,292)
Debt service	(41,992,547)	-	(41,992,547)
Total Other Financing Sources (Uses)	36,063,368	-	36,063,368
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	42,920,271	-	42,920,271
Fund Equity - Beginning of Year	206,934,636	-	206,934,636
Fund Equity - End of Year	\$ 249,854,907	\$ -	\$ 249,854,907

See the accompanying notes to the other supplementary information.

Kern Community College District
RECONCILIATION OF FUND EQUITY TO NET POSITION

June 30, 2019

Total Fund Equity - District Funds Included in the Reporting Entity	\$ 249,854,907
Assets recorded within the GASB 35 Statement of Net Position not included in the District fund financial statements:	
Depreciable capital assets	\$379,626,575
Accumulated depreciation	(134,577,785)
Subtotal	245,048,790
Nondepreciable capital assets	66,604,537
Deferred outflows related to pensions	57,777,523
Deferred loss on refunding	2,103,042
Liabilities recorded within the GASB 35 Statement of Net Position not recorded in the District fund financial statements:	
Accounts payable:	
Interest payable	(4,068,572)
Retentions payable	(434,546)
Net other postemployment benefits liability	(17,096,401)
Pension liabilities	(162,222,486)
Compensated absences	(3,494,493)
Other long-term liabilities	(384,728,276)
Deferred inflows related to OPEB	(902,984)
Deferred inflows related to pensions	(7,896,523)
Net Position Reported Within the GASB 35 Statement of Net Position	\$ 40,544,518

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, 2019

Total Net Change in Fund Equity - District Funds Included in the Reporting Entity	\$ 42,920,271
Compensated absence expense reduction reported within the GASB 35 Statements	(278,078)
Capital outlay expense not reported within the GASB 35 Statements	25,064,233
Depreciation expense reported within the GASB 35 Statements	(7,636,716)
Principal payments on debt not reported within the GASB 35 Statements	28,898,138
Bond proceeds from debt not reported within the GASB 35 Statements	(78,302,663)
Increase in interest expense for capital asset related debt reported within the GASB 35 Statements	(4,831,811)
Amortization of bond premium cost reported within the GASB 35 Statements	3,081,796
Amortization of deferred loss on refunding within the GASB 35 Statements	(267,069)
Change in pension expense related to GASB 68	(10,314,540)
Change in OPEB expense related to GASB 75	(781,574)
Net Change in Net Position Reported Within the GASB 35 Statement of Revenues, Expenses, and Changes in Net Position	\$ (2,448,013)

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, 2019, 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, 2019. 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, 2019. The information in this schedule is presented in accordance with the requirements of the *California Community Colleges Contracted District Audit Manual 2018-19*.

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)

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, 2019.

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, 2019; and the related notes to the financial statements, which collectively comprise the District's basic financial statements; and have issued our report thereon dated December 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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

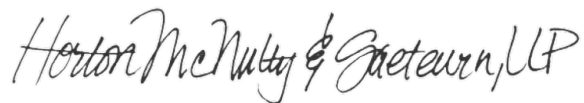
(Continued)

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.



December 10, 2019
Chico, 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, 2019. 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* (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, 2019.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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.

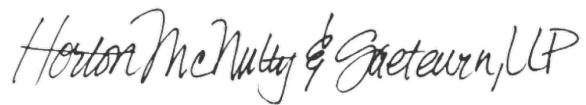
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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



December 10, 2019
Chico, 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 2018-19*, published by the California Community Colleges Chancellor's Office, for the year ended June 30, 2019. 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 2018-19*, published by the California Community Colleges Chancellor's Office. Those standards and the *California Community Colleges Contracted District Audit Manual 2018-19* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination of the District's compliance with those requirements.

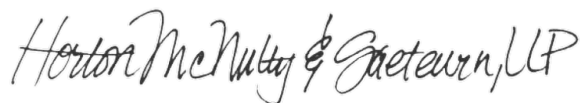
INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

Salaries of classroom instructors: 50 percent law
Apportionment for activities funded from other sources
State general apportionment funding system
Residency determination for credit courses
Students actively enrolled
Dual enrollment (CCAP and Non-CCAP)
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

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, 2019.



December 10, 2019
Chico, California

FINDINGS AND QUESTIONED COSTS SECTION

Kern Community College District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2019

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:	\$1,654,149
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, 2019
(Continued)

SECTION II FINDINGS
FINANCIAL STATEMENTS AUDIT

None.

SECTION III FINDINGS
FEDERAL AWARDS AUDIT

None.

SECTION IV FINDINGS
STATE AWARDS AUDIT

None.

Kern Community College District

CORRECTIVE ACTION PLAN

June 30, 2019

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

Kern Community College District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2019

None.