



MATSON  
& ISOM

KERN COMMUNITY COLLEGE DISTRICT

**Bakersfield, California**

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITORS' REPORTS

**June 30, 2014**

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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, 2014, 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 opinions.

### ***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, 2014; 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.

## INDEPENDENT AUDITORS' REPORT

Continued

### *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 4 through 8 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.

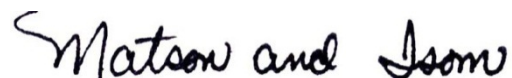
#### *Other Information*

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 as listed in the table of contents, and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards 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 supplementary information 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



December 8, 2014  
Redding, California

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Required Supplementary Information)**

# MANAGEMENT'S DISCUSSION AND ANALYSIS

*Kern Community College District*

June 30, 2014

## ACCOUNTING STANDARDS

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

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

The following discussion and analysis provides an overview of the District's financial activities with emphasis on current year data. This report consists of three basic financial statements that provide information on the District as a whole: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

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

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

## OVERVIEW

The California state budget situation continues to improve as the effects of a recovering economy and increased tax receipts from temporary taxes California voters approved in 2012. The state is currently projecting modest budget surpluses. The 2013-14 state budget is projected to end the year with a \$1.6 billion reserve.

The District continues to take a cautious approach to the fiscal changes occurring to the state. The District believes that with the level of unfunded state liabilities that still need to be addressed combined with the temporary nature of the new taxes approved in 2012. Due to these uncertainties with the state budget, the District believes it needs to continue to position itself to deal with another significant long-term financial downturn in the future. The District continues to evaluate and identify opportunities for expenditure controls, organizational enhancements, reserve management, and conservative budget planning and student enrollment management practices. With the improvement in the state economy the District budget has stabilized due primarily to the availability of restoration funding of workload reductions during the great recession. In addition, the District anticipates utilizing less than a million in unrestricted reserves for 2014-15.

**MANAGEMENT’S DISCUSSION  
AND ANALYSIS**

June 30, 2014

*Kern Community College District*

**STATEMENT OF NET POSITION**

The Statement of Net Position presents the assets, liabilities, and net position of the District as of the end of the fiscal year using the accrual basis of accounting, which is comparable to that used by most private-sector institutions. Net position – the difference between assets and liabilities – is one way to measure the financial health of the District. The net position data allows readers to determine the resources available to continue the operations of the District.

The net position of the District consists of three major categories:

- Net investment in capital assets – The District’s equity in property, plant, and equipment net of related debt.
- Restricted net position (distinguishing between major categories of restriction) – The constraints placed on the use of the assets are externally imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments imposed through constitutional provisions or enabling legislation.
- Unrestricted net position – The District can use them for any lawful purpose. Although unrestricted, the District’s governing board may place internal restrictions on the net position, but it retains the power to change, remove, or modify those restrictions.

<b>Condensed Statement of Net Position</b>				
June 30	<b>2014</b>	<b>2013</b>	<b>Change</b>	<b>% Change</b>
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$ 30,103,592	\$ 24,699,186	\$ 5,404,406	21.9%
Restricted cash	34,412,106	873,500	33,538,606	3839.6%
Accounts receivable - net	20,309,418	18,440,995	1,868,423	10.1%
Prepaid expenses	1,201,947	1,287,168	(85,221)	-6.6%
Inventories	14,901	10,141	4,760	46.9%
Total current assets	<u>86,041,964</u>	<u>45,310,990</u>	<u>40,730,974</u>	89.9%
Noncurrent Assets:				
Restricted cash and cash equivalents	81,092,112	72,607,421	8,484,691	11.7%
Restricted investments	43,281,417	64,252,278	(20,970,861)	-32.6%
Other post employment benefits asset	57,035,928	62,438,262	(5,402,334)	-8.7%
Nondepreciable capital assets	77,230,317	63,266,699	13,963,618	22.1%
Depreciable capital assets - net	185,129,693	178,068,571	7,061,122	4.0%
Total noncurrent assets	<u>443,769,467</u>	<u>440,633,231</u>	<u>3,136,236</u>	0.7%
<b>Total Assets</b>	<u>\$ 529,811,431</u>	<u>\$ 485,944,221</u>	<u>\$ 43,867,210</u>	9.0%
<b>Deferred Outflow of Resources</b>	<u>\$ 3,691,586</u>	<u>\$ 3,584,051</u>	<u>\$ 107,535</u>	3.0%



**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2014

*Kern Community College District*

June 30	2014	2013	Change	% Change
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 16,557,823	\$ 12,513,543	\$ 4,044,280	32.3%
Advances from grantors and students	3,281,594	3,141,222	140,372	4.5%
Compensated absences - current portion	1,894,141	1,509,996	384,145	25.4%
Long-term debt - current portion	26,786,354	49,718,068	(22,931,714)	-46.1%
Amounts held in trust for others	713,732	607,885	105,847	17.4%
Total current liabilities	49,233,644	67,490,714	(18,257,070)	-27.1%
Noncurrent liabilities:				
Compensated absences - noncurrent portion	547,219	740,089	(192,870)	-26.1%
Long-term debt - noncurrent portion	313,994,449	260,124,603	53,869,846	20.7%
Total noncurrent liabilities	314,541,668	260,864,692	53,676,976	20.6%
<b>Total Liabilities</b>	<b>\$ 363,775,312</b>	<b>\$ 328,355,406</b>	<b>\$ 35,419,906</b>	<b>10.8%</b>
<b>Net Position</b>				
Net investment in capital assets	\$ 121,208,810	\$ 85,888,151	\$ 35,320,659	41.1%
Restricted - expendable	33,332,387	26,930,960	6,401,427	23.8%
Unrestricted	15,186,508	48,353,755	(33,167,247)	-68.6%
<b>Total Net Position</b>	<b>\$ 169,727,705</b>	<b>\$ 161,172,866</b>	<b>\$ 8,554,839</b>	<b>5.3%</b>

The District's total assets increased by \$44 million; this change was driven by a net increase in debt issuance of \$36.5 million. The change is largely due to additional Measure G funding of \$58 million less a COP payment of \$22 million from investments. The additional increase in assets is attributed primarily to net income of \$8 million. Capital assets increased by \$21 million, which is offset by a decrease of \$5.4 million in other postemployment asset benefits. The increase of \$1.9 million in accounts receivable is due to the timing of invoicing for capital projects and new grant funding. Accounts payable increased by \$4 million related to construction projects (\$2.5 million) and accrued interest on debt \$1.5 million.

Deferred outflows related to bond refinancing increased by \$100k on refinanced bonds.

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

The Statement of Revenues, Expenses and Changes in Net Position presents the operating results of the District. The purpose of the statement is to present the revenues received by the District, both operating and non-operating, and the expenses paid by the District, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the District. State general apportionment funds, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles. Changes in total net position on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues are received for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the District.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2014

*Kern Community College District*

**Condensed Statement of Revenues, Expenses and Changes in Net Position**

<u>Years Ended June 30</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% Change</u>
Operating revenues	\$ 32,556,562	\$ 29,853,159	\$ 2,703,403	9.1%
Operating expenses	129,228,933	124,947,877	4,281,056	3.4%
Operating Loss	(96,672,371)	(95,094,718)	(1,577,653)	1.7%
Nonoperating revenues and expenses	100,753,259	91,922,753	8,830,506	9.6%
Income Before Other Revenue and Expenses	4,080,888	(3,171,965)	7,252,853	-228.7%
Other revenue and expenses	4,473,951	(6,466,810)	10,940,761	-169.2%
Change in Net Position	8,554,839	(9,638,775)	18,193,614	-188.8%
<b>Net Position - Beginning of Year</b>	<u>161,172,866</u>	<u>170,811,641</u>	<u>(9,638,775)</u>	-5.6%
<b>Net Position - End of Year</b>	<u>\$ 169,727,705</u>	<u>\$ 161,172,866</u>	<u>\$ 8,554,839</u>	5.3%

Net income increased by \$18 million from the prior year. This is largely due to additional capital appropriations of \$10 million. An additional \$8 million is attributed to additional grant funding of \$3.2 million and a net change of \$5.4 million related to prior period apportionment revenue and expense adjustments related to apportionment revenues.

Overall revenues of \$205 million exceeded expenditures of \$196 million, resulting in an increase in net position of \$8.5 million. Revenues increased \$29 million from the prior year. This change was primarily due to increases in federal and state grants, including financial aid revenues (\$5.8 million), the effect to prior year apportionment (\$9.7 million), increased state capital appropriations of \$10.1 million, and increased local property taxes for capital purchases of \$3.2 million. Expenditures increased \$11 million from the prior year. This change was primarily due to a change in estimates of \$4.6 million to other operating expense, \$3.4 million to debt related expenditures and payments to students, including financial aid disbursements of \$2.6 million.

**STATEMENT OF CASH FLOWS**

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

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2014

*Kern Community College District*

**Condensed Statement of Cash Flows**

<u>Years Ended June 30</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% Change</u>
Cash received from operations	\$ 30,018,316	\$ 28,986,199	\$ 1,032,117	3.6%
Cash expended for operations	(112,972,402)	(110,047,765)	(2,924,637)	2.7%
Net cash used by operating activities	(82,954,086)	(81,061,566)	(1,892,520)	2.3%
Net cash provided by noncapital financing activities	97,129,949	103,071,911	(5,941,962)	-5.8%
Net cash provided (used) by capital and related financing activities	12,133,113	(21,553,032)	33,686,145	-156.3%
Net cash provided by investing activities	21,118,727	4,170,948	16,947,779	406.3%
Net change in cash and cash equivalents	47,427,703	4,628,261	42,799,442	924.7%
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>98,180,107</u>	<u>93,551,846</u>	<u>4,628,261</u>	<u>4.9%</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 145,607,810</u>	<u>\$ 98,180,107</u>	<u>\$ 47,427,703</u>	<u>48.3%</u>

**FINANCIAL SECTION**

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

June 30, 2014

**ASSETS****CURRENT ASSETS**

Cash and cash equivalents	\$ 30,103,592
Restricted cash and cash equivalents - current	34,412,106
Accounts receivable - net	20,309,418
Prepaid expenses	1,201,947
Inventories	14,901

**Total Current Assets** 86,041,964

**NONCURRENT ASSETS**

Restricted cash and cash equivalents - noncurrent	81,092,112
Restricted investments	43,281,417
Other postemployment benefits asset	57,035,928
Depreciable capital assets - net	185,129,693
Nondepreciable capital assets	77,230,317

**Total Noncurrent Assets** 443,769,467

**Total Assets** 529,811,431

**DEFERRED OUTFLOW OF RESOURCES**

Deferred loss on refunding	<u>3,691,586</u>
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**LIABILITIES****CURRENT LIABILITIES**

Accounts payable	16,557,823
Advances from grantors and students	3,281,594
Compensated absences - current portion	1,894,141
Long-term debt - current portion	26,786,354
Amounts held in trust for others	713,732

**Total Current Liabilities** 49,233,644

**NONCURRENT LIABILITIES**

Compensated absences - noncurrent portion	547,219
Long-term debt - noncurrent portion	313,994,449

**Total Noncurrent Liabilities** 314,541,668

**Total Liabilities** 363,775,312

**NET POSITION**

Net investment in capital assets	121,208,810
Restricted - expendable	33,332,387
Unrestricted	15,186,508

**Total Net Position** \$ 169,727,705

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

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

*Kern Community College District*

Year Ended June 30, 2014

<b>OPERATING REVENUES</b>	
Tuition and fees	\$ 25,516,456
Less: Scholarship discounts and allowances	16,937,505
<b>Net Tuition and Fees</b>	<b>8,578,951</b>
Grants and contracts - noncapital:	
Federal	6,806,328
State	12,859,680
Local	2,145,389
Auxiliary enterprise sales and charges	1,468,678
Other operating revenue	697,536
<b>Total Operating Revenues</b>	<b>32,556,562</b>
<b>OPERATING EXPENSES</b>	
Salaries	73,312,334
Employee benefits	26,048,706
Supplies, materials, and other operating expenditures	20,396,650
Utilities	2,862,080
Depreciation	6,218,373
Payments to students	390,790
<b>Total Operating Expenses</b>	<b>129,228,933</b>
<b>Operating Loss</b>	<b>(96,672,371)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State apportionments - noncapital	35,130,729
Education protection account revenues - noncapital	15,209,152
Local property taxes - noncapital	48,043,317
State taxes and other revenues - noncapital	3,989,126
Investment income - noncapital	147,866
Financial aid revenues - federal	43,617,601
Financial aid revenues - state	3,057,195
Financial aid disbursements	(46,778,182)
Other nonoperating revenues (expenses) - noncapital	(1,663,545)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>100,753,259</b>
<b>Income Before Other Revenues, Expenses, Gains, or Losses</b>	<b>4,080,888</b>
Local property taxes and revenues- capital	11,475,088
State apportionments - capital	10,238,841
Investment income - capital	1,249,534
Debt issuance expenses - capital	(940,787)
Interest expense - capital asset-related debt	(17,548,725)
<b>Change in Net Position</b>	<b>8,554,839</b>
<b>Net Position - Beginning of Year</b>	<b>161,172,866</b>
<b>Net Position - End of Year</b>	<b>\$ 169,727,705</b>

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

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

Page 1 of 2

Year Ended June 30, 2014

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and fees	\$ 6,202,876
Federal grants and contracts	7,009,895
State grants and contracts	12,497,399
Local grants and contracts	1,505,799
Payments to/on behalf of employees	(72,651,148)
Payments for benefits	(20,965,777)
Payments for scholarships and grants	(390,790)
Payments to suppliers	(16,102,607)
Payments for utilities	(2,862,080)
Auxiliary enterprise sales and charges	1,468,678
Other receipts	1,333,669
<b>Net Cash Used by Operating Activities</b>	<b>(82,954,086)</b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State apportionments - noncapital	30,446,341
Education protection account revenues	15,209,152
Local property taxes	48,043,317
Financial aid revenues - federal	43,617,601
Financial aid revenues - state	3,057,195
Financial aid disbursements	(46,778,182)
State taxes and other revenues	5,198,070
Other receipts (payments)	(1,663,545)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>97,129,949</b>

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

State apportionments - capital	10,238,841
Local property taxes - capital	11,475,088
Purchases of capital assets	(24,722,823)
Interest paid on capital debt	(16,486,881)
Interest on investments - capital	1,249,534
Proceeds from capital debt	134,131,312
Principal paid on capital debt	(103,751,958)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>12,133,113</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Sale of investments	22,122,000
Purchase of investments	(1,151,139)
Interest on investments - noncapital	147,866
<b>Net Cash Provided by Investing Activities</b>	<b>21,118,727</b>

**Net Change in Cash and Cash Equivalents** 47,427,703**Cash and Cash Equivalents - Beginning of Year** 98,180,107**Cash and Cash Equivalents - End of Year** \$ 145,607,810*The accompanying notes are an integral part of these financial statements.*

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

Page 2 of 2

Year Ended June 30, 2014

**COMPONENTS OF CASH AND CASH EQUIVALENTS**

Cash and cash equivalents	\$ 30,103,592
Restricted cash and cash equivalents - current	34,412,106
Restricted cash and cash equivalents - noncurrent	81,092,112
<b>Total Cash and Cash Equivalents</b>	<b>\$ 145,607,810</b>

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

Operating loss	\$ (96,672,371)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	6,218,373
Allowance for doubtful accounts	2,199,867
Changes in:	
Accounts receivable	(1,228,375)
Prepaid expenses	85,221
Other postemployment benefit asset	5,402,334
Inventories	(4,760)
Accounts payable	2,164,221
Advances from grantors and students	(1,415,718)
Compensated absences	191,275
Amounts held in trust for others	105,847
<b>Net Cash Used by Operating Activities</b>	<b>\$ (82,954,086)</b>

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

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

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

**Basis of Presentation and Accounting** The financial statement presentation required by GASB Statement Nos. 34, 35, 37, 38, and 39 provides a comprehensive, entity-wide perspective of the District’s overall financial position, results of operations and cash flows, and replaces the fund-group perspective previously required.

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

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Exceptions to the accrual basis of accounting are as follows:

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

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

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

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

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

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

**Accounts Receivable** Accounts receivable 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 expenditures made pursuant to the District's grants and contracts. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. The allowance for uncollectible accounts is calculated by applying certain percentages to each aging group. The allowance was estimated at \$3,148,825 for the year ended June 30, 2014.

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

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

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

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

Capitalized interest consisted of the following at June 30, 2014:

Interest incurred	\$ 19,052,988
Less: Amount expensed	17,548,725
<b>Amount to be Capitalized</b>	1,504,263
Reduced by interest earned	38,564
<b>Capitalized Interest - Net</b>	\$ 1,465,699

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

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

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

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

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

***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(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District only has one item that qualifies for reporting in this category, which is the deferred loss on refunding reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District does not have any item of this type.

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

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

***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.

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***Classification of Revenues*** The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, 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 described in GASB Statement No. 34, such as state appropriations and investment income.

***Scholarship Discounts and Allowances*** Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances represent the difference between stated charges for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf.

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

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

***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.

**NOTES TO THE FINANCIAL STATEMENTS**

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**On-Behalf Payments** GASB Statement 24 requires that direct on-behalf payments for fringe benefits and salaries made by an entity to a third-party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the California State Teachers Retirement System (CalSTRS) and the California Public Employees’ Retirement System (CalPERS) on behalf of all community college districts in California. The payments have not been reported in the basic financial statements as management believes they are immaterial to the financial statements taken as a whole.

**Reclassifications** Certain reclassifications have been made to prior year amounts to conform with current year presentation.

**2. CASH AND INVESTMENTS**

The cash and cash equivalents as of June 30, 2014, are as follows:

Cash and cash equivalents	\$ 30,103,592
Restricted cash and cash equivalents	115,504,218
<b>Total Cash and Cash Equivalents</b>	<b>\$ 145,607,810</b>

At June 30, 2014, the carrying amount of the District’s cash is summarized as follows:

Cash in county treasury	\$ 133,445,869
Cash on hand and in banks	5,957,645
Cash held by trustees	6,204,296
<b>Total Deposits</b>	<b>\$ 145,607,810</b>

As provided for by *California Education Code*, Section 41001, a significant portion of the District’s cash balances of most funds is deposited with the Kern County Treasurer for the purpose of increasing interest earned through County investment activities. The County Treasury’s Pooled Money Investment account’s weighted average maturities were less than two years at June 30, 2014, 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.

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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, \$1,000,483 of the bank balances at June 30, 2014, are insured.

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

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

As of June 30, 2014, the District's restricted investments are as follows:

Investments in LAIF	\$ 888,301
Bank clearing account	424,590
Certificates of deposit	7,064,770
Money market	362,106
Municipal bonds	11,138,998
Corporate bonds and notes	7,823,016
U.S. Government agency securities	11,970,194
Foreign bonds	3,609,442
<b>Total Investments</b>	<b>\$ 43,281,417</b>

**NOTES TO THE FINANCIAL STATEMENTS**

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The District participates in the Local Agency Investment Fund (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 moneys from LAIF upon demand. Included in LAIF’s investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. LAIF’s exposure and the District’s related exposure to credit, market, and legal risk is not available. Foreign bonds are dollar denominated bonds of companies based outside the United States of America.

**Risk Information**

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

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

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

June 30, 2014	Fair Value	Investment Maturities		
		Less Than One Year	One to Five Years	More Than Five Years
Investment in LAIF	\$ 888,301	\$ 888,301	\$ -	\$ -
Bank clearing account	424,590	424,590	-	-
Certificates of deposit	7,064,770	555,225	6,451,030	58,515
Municipal bonds	11,138,998	101,146	10,125,039	912,813
Money market	362,106	362,106	-	-
Corporate bonds and notes	7,823,016	259,940	6,993,676	569,400
U.S. Government agency securities	11,970,194	1,756,432	7,560,415	2,653,347
Foreign bonds	3,609,442	-	3,609,442	-
<b>Total Investments</b>	<b>\$ 43,281,417</b>	<b>\$ 4,347,740</b>	<b>\$ 34,739,602</b>	<b>\$ 4,194,075</b>



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**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, 2014	Fair Value	Investment Ratings				
		AAA	AA	A	BAA	Unrated
Investment in LAIF	\$ 888,301	\$ -	\$ -	\$ -	\$ -	\$ 888,301
Bank clearing account	424,590	-	-	-	-	424,590
Certificates of deposit	7,064,770	7,064,770	-	-	-	-
Municipal bonds	11,138,998	1,525,956	7,497,633	2,115,409	-	-
Money market	362,106	362,106	-	-	-	-
Corporate bonds and notes	7,823,016	131,098	3,817,623	3,622,635	251,660	-
U.S. Government agency securities	11,970,194	11,970,194	-	-	-	-
Foreign bonds	3,609,442	-	3,609,442	-	-	-
<b>Total Investments</b>	<b>\$ 43,281,417</b>	<b>\$ 21,054,124</b>	<b>\$ 14,924,698</b>	<b>\$ 5,738,044</b>	<b>\$ 251,660</b>	<b>\$ 1,312,891</b>

Concentration risk is defined as positions of 5% or more in the securities of a single issuer. The District’s investment policy contains no limitations on the amount that can be invested in any single issuer. A total of 19% of the District’s investments are in Federal National Mortgage Association and Federal Home Loan Bank, which are U.S. government-sponsored enterprises.

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

**Custodial Credit Risk**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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**3. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30, 2014:

Tuition and fees	\$ 4,817,388
Less: Allowance for doubtful accounts	3,148,825
<b>Tuition and Fees - Net</b>	<b>1,668,563</b>
Federal grants and contracts	2,077,726
State grants and contracts	1,731,884
Local grants and contracts	1,921,059
State apportionment	11,378,307
State taxes and other revenues	979,244
Other	552,635
<b>Total</b>	<b>\$ 20,309,418</b>

**4. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2014, is summarized as follows:

	Balance June 30, 2013	Additions	Deductions	Transfers	Balance June 30, 2014
<b>NONDEPRECIABLE CAPITAL ASSETS</b>					
Land	\$ 15,675,746	\$ -	\$ -	\$ -	\$ 15,675,746
Construction in progress	47,590,953	22,531,626	-	(8,568,008)	61,554,571
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 63,266,699</b>	<b>\$ 22,531,626</b>	<b>\$ -</b>	<b>\$ (8,568,008)</b>	<b>\$ 77,230,317</b>
<b>DEPRECIABLE CAPITAL ASSETS</b>					
Site improvements	\$ 6,102,692	\$ 610,785	\$ -	\$ 41,295	\$ 6,754,772
Joint use facilities agreements	7,448,375	-	-	-	7,448,375
Buildings and improvements	222,808,510	545,126	-	7,698,022	231,051,658
Equipment	17,068,861	376,152	-	752,341	18,197,354
Computer equipment	15,839,832	880,623	-	-	16,720,455
Vehicles	2,164,414	41,705	-	76,352	2,282,471
<b>Total Depreciable Capital Assets</b>	<b>271,432,684</b>	<b>2,454,391</b>	<b>-</b>	<b>8,568,010</b>	<b>282,455,085</b>
Less: Accumulated depreciation	93,364,113	3,961,279	-	-	97,325,392
<b>Total Depreciable Assets - Net</b>	<b>\$ 178,068,571</b>	<b>\$ (1,506,888)</b>	<b>\$ -</b>	<b>\$ 8,568,010</b>	<b>\$ 185,129,693</b>

**5. ACCOUNTS PAYABLE**

Accounts payable at June 30, 2014, consisted of the following:

Accrued payroll and related liabilities	\$ 3,675,154
Construction payables	4,343,216
Interest payable	3,424,449
Other	5,115,004
<b>Total</b>	<b>\$ 16,557,823</b>

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**6. LONG-TERM LIABILITIES**

The long-term liability activity for the year ended June 30, 2014, is as follows:

	<u>Beginning Balance</u>	<u>Accretion/ Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Certificates of participation	\$ 78,431,860	\$ 19,600,000	\$ 44,192,119	\$ 53,839,741	\$ 20,720,000
Limited obligation improvement bonds	5,909,335	-	296,689	5,612,646	355,000
General obligation improvement bonds	141,096,630	120,549,268	63,805,370	197,840,528	4,740,408
CEC loan	2,159,846	-	131,958	2,027,888	135,946
Other postemployment benefit bonds	82,245,000	-	785,000	81,460,000	835,000
<b>Subtotal</b>	309,842,671	140,149,268	109,211,136	340,780,803	26,786,354
Compensated absences	2,250,085	2,085,415	1,894,140	2,441,360	1,894,141
<b>Total Long-Term Liabilities</b>	<u>\$ 312,092,756</u>	<u>\$ 142,234,683</u>	<u>\$ 111,105,276</u>	<u>\$ 343,222,163</u>	<u>\$ 28,680,495</u>

Long-term liabilities consisted of the following individual debt issues at June 30, 2014:

**CERTIFICATES OF PARTICIPATION**

2008 Conversion of 2004 Variable Rate Certificates of Participation issued in the original amount of \$40,280,000 by the Corporation. Final maturity in 2034. Interest rates range from 3.50% to 4.75%. \$ 34,575,000

2014 Refunding Certificates of Participation issued in the original amount of \$19,600,000 by the Corporation. Final maturity in 2015, with an interest rate of 0.15%. 19,600,000

**Subtotal** 54,175,000

Less: Discounts 335,259

**Certificates of Participation - Net** 53,839,741

**LIMITED OBLIGATION IMPROVEMENT BONDS**

2010A Lease Revenue Bonds issued in the original amount of \$6,810,000. Final maturity in 2035. Interest rates range from 3.00% to 5.12%. 5,695,000

Less: Discounts 82,354

**Limited Obligation Improvement Bonds - Net** 5,612,646

**Balance Forward** \$ 59,452,387

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<b>Balance Brought Forward</b>	\$ 59,452,387
 <b>GENERAL OBLIGATION IMPROVEMENT BONDS</b>	
Bonds issued in the original amount of \$7,556,642, including current interest bonds and capital appreciation bonds. Final maturity in 2025. Interest rates range from 4.00% to 5.66%.	3,282,753
Bonds issued in the original amount of \$4,022,236, including current interest bonds and capital appreciation bonds. Final maturity in 2027. Interest rates range from 3.55% to 5.57%.	1,932,072
Bonds issued in the original amount of \$75,240,068, including current interest bonds and capital appreciation bonds. Final maturity in 2028. Interest rates range from 2.00% to 6.78%.	5,383,054
Bonds issued in the original amount of \$54,025,132, including current interest bonds and capital appreciation bonds. Final maturity in 2021. Interest rates range from 3.00% to 5.00%.	8,951,719
Bonds issued in the original amount of \$49,999,533, including current interest bonds and capital appreciation bonds. Final maturity in 2030. Interest rates range from 4.25% to 5.00%.	54,270,310
Bonds issued in the original amount of \$6,985,000, including current interest bonds and capital appreciation bonds. Final maturity in 2026. Interest rates range from 2% to 5.5%.	6,385,000
Bonds issued in the original amount of \$54,800,000, including current interest bonds. Final maturity in 2034. Interest rates range from 2.00% to 5.75%.	54,805,000
Bonds issued in the original amount of \$40,035,000, including current interest bonds. Final maturity in 2021. Interest rates range from 0.0281% to 3.193%.	39,245,000
Bonds issued in the original amount of \$14,370,000, including current interest. Final maturity in 2021. Interest rates range from 2.00% to 5.00%.	<u>14,070,000</u>
<b>Subtotal</b>	<u>188,324,908</u>
Premium on general obligation bonds	<u>9,515,620</u>
<b>General Obligation Bonds - Net</b>	<u>197,840,528</u>
<b>Balance Forward</b>	<u>257,292,915</u>

**NOTES TO THE FINANCIAL  
STATEMENTS**

June 30, 2014

*Kern Community College District*

<b>Balance Brought Forward</b>	\$ 257,292,915
<b>CEC LOAN</b>	
Energy Conservation Assistance Loan with a principal amount of \$2,200,000. Final maturity in 2026, with an interest rate of 3.00%. Interest-only payments until June 2013.	<u>2,027,888</u>
<b>OTHER POSTEMPLOYMENT BENEFIT BONDS</b>	
2008 Taxable Other Postemployment Benefit (OPEB) Bonds, Series A, issued in the original amount of \$85,880,000. Final maturity in 2047, with an interest rate of 6.01%.	<u>81,460,000</u>
<b>Subtotal</b>	340,780,803
Less: Current portion	<u>26,786,354</u>
<b>Total Long-Term Liabilities - Noncurrent Portion</b>	<u>\$ 313,994,449</u>

**Refunded Debt**

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

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

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

**NOTES TO THE FINANCIAL  
STATEMENTS**

June 30, 2014

*Kern Community College District*

**Accretion**

General obligation bonds as of June 30, 2014, have been increased by \$29,458,646 to include accumulated accretion of the capital appreciation bonds. Annual accretion is recognized as interest in the statement of activities.

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

Year Ending June 30			<b>Bonds</b>	<b>Bond</b>	<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Premium</b>	
2015	\$ 26,786,354	\$ 15,514,809	\$ 42,301,163	\$ 742,867	\$ 43,044,030
2016	6,574,679	15,200,560	21,775,239	742,867	22,518,106
2017	10,499,284	11,509,917	22,009,201	746,946	22,756,147
2018	11,198,645	11,177,059	22,375,704	747,761	23,123,465
2019	12,033,138	10,797,622	22,830,760	747,761	23,578,521
2020-2024	56,643,091	53,600,680	110,243,771	2,760,239	113,004,010
2025-2029	35,772,522	79,754,157	115,526,679	1,633,670	117,160,349
2030-2034	91,391,437	57,851,407	149,242,844	921,701	150,164,545
2035-2039	15,725,000	14,449,892	30,174,892	54,195	30,229,087
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
<b>Total</b>	<b>\$ 302,224,150</b>	<b>\$ 280,138,012</b>	<b>\$ 582,362,162</b>	<b>\$ 9,098,007</b>	<b>\$ 591,460,169</b>
Less: Interest (exluding accretion of \$29,458,646)			(250,679,366)	-	(250,679,366)
<b>Net Principal</b>			<b>\$ 331,682,796</b>	<b>\$ 9,098,007</b>	<b>\$ 340,780,803</b>

**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, 2014, were \$41,764.

The future minimum lease payments as of June 30, 2014, are as follows:

Year Ending June 30	
2015	\$ 14,860
2016	4,786
2017	5,567
<b>Total</b>	<b>\$ 25,213</b>

**8. EMPLOYEE RETIREMENT SYSTEMS**

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

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50% or more in a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50% or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). Since January 1, 1999, both of these plans have been part of CalSTRS. The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, Sacramento, California 95605.

CalSTRS provides retirement, disability, and death benefits, and depending on which component of the Plan the employee is in, post-retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of 2% of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The Plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. While early retirement can reduce the 2% factor used at age 60, service of 30 or more years will increase the percentage age factor to be applied.

Disability benefits are generally the maximum of 50% of final compensation for most applicants. Eligible dependent children can increase this benefit up to a maximum of 90% of final compensation. After five years of credited service, members become 100% vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable.

The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB benefit plan is optional; however, if the employee selects the CB benefit plan and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

At June 30, 2014, the District employed 345 certificated employees with a total annual payroll of \$38,559,069.

**Funding Policy**

Active plan members are required to contribute 8.00% of their gross salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Board based upon recommendations made by the consulting actuary. The required employer contribution rate for the fiscal year ended June 30, 2014, was 8.25% of annual payroll for regular employees and 8.827% of annual payroll for reduced workload employees. The contribution requirements of the plan members are established by state statutes. The District's contributions to CalSTRS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$3,588,903, \$3,573,582, and \$3,604,406, respectively, and equaled 100% of the required contributions for each year.

**Other Information**

Under CalSTRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit, which may be paid on either a current or deferred basis. The District has no obligations to CalSTRS for early retirement incentives granted to terminated employees at June 30, 2014.

**California Public Employees' Retirement System (CalPERS)**

**Plan Description**

All full-time classified employees participate in CalPERS, a cost-sharing, multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2% of final compensation for each year of service credit.

Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement after age 55 will increase the percentage rate to a maximum of 2.5% at age 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from CalPERS, members' accumulated contributions are refundable with interest credited through the date of separation.

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from CalPERS, 400 Q Street, Sacramento, California 95811.

**Funding Policy**

Active plan members are required to contribute 7.00% of their salary (7.00% of monthly salary over \$133.33 if the member participates in Social Security) and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2014, was 11.442% of annual payroll. The contribution requirements of the plan members are established by state statutes. The District's contributions to CalPERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$2,417,441, \$2,439,870, and \$2,424,695, respectively, and equaled 100% of the required contribution for each year.



**9. STATE AND FEDERAL ALLOWANCES, AWARDS, AND GRANTS**

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

**10. RISK MANAGEMENT**

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

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

The District has recorded \$931,153 and \$1,250,000 of excess insurance reserves being held by SISC as of June 30, 2014 and 2013, respectively.

**11. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

**Plan Description**

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

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.

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

*Kern Community College District*

Currently, the District has 723 active full-time employees who are eligible for postemployment health benefits and 493 retirees who receive postretirement health benefits.

**Funding Policy**

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

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

**Annual OPEB Cost and Net OPEB Obligation**

Before the implementation of GASB 45, the District’s expenses for postretirement health benefits were recognized only when paid. The District’s annual OPEB cost (expense) is now calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period of 30 years. The following table shows the components of the District’s OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation to the Plan for the year ended June 30, 2014:

	<b>2014</b>
Annual required contribution	\$ 1,869,328
Adjustment to annual required contribution	3,533,006
<b>Annual OPEB Cost</b>	<b>5,402,334</b>
Contributions	-
<b>Change in Net OPEB Obligation</b>	<b>5,402,334</b>
<b>Net OPEB Obligation - Beginning of Year</b>	<b>(62,438,262)</b>
<b>Net OPEB Obligation - End of Year</b>	<b>\$ (57,035,928)</b>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years ended June 30, 2014, 2013, and 2012, were as follows:

<b>Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Actual Employer Contributions</b>	<b>Percentage Contributed</b>	<b>Net Ending OPEB Obligation</b>
June 30, 2012	\$ 4,868,784	\$ -	0.00%	\$ (67,840,596)
June 30, 2013	\$ 5,402,334	\$ -	0.00%	\$ (62,438,262)
June 30, 2014	\$ 5,402,334	\$ -	0.00%	\$ (57,035,928)

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

*Kern Community College District*

**Funded Status and Funding Progress**

The District’s funded status of the Plan as of the actuarial date below was as follows:

	<b>February 1, 2012</b>	<b>June 30, 2012</b>
Actuarial accrued liability (AAL)	\$ 67,675,250	\$ 89,874,408
Actuarial value of plan assets	84,044,523	87,973,160
<b>Over (Unfunded) Actuarial Accrued Liability</b>	<b>\$ 16,369,273</b>	<b>\$ (1,901,248)</b>
Funded ratio (actuarial value of plan assets/AAL)	124.19%	97.88%
Covered payroll (active members)	\$ 48,163,240	\$ 48,401,148
<b>UAAL as a Percentage of Covered Payroll</b>	<b>181.73%</b>	<b>144.70%</b>

As of June 30, 2014, the District has set aside approximately \$84,782,678 in an external trust fund and the fair value of the trust fund as of June 30, 2014, was approximately \$82,494,257.

**Actuarial Methods and Assumptions**

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

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

In the June 2012 actuarial valuation, the entry-age normal cost method was used. The actuarial assumptions included a 6.0% discount rate based on the assumption that a substantial portion of the ARC is funded. A 3.0% price inflation and a 3.0% wage inflation assumption was used as well as an annual cost trend rate of 4.0%. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are a level percent of payroll over a 30-year period.

**NOTES TO THE FINANCIAL  
STATEMENTS**

June 30, 2014

*Kern Community College District*

**Condensed OPEB Trust Financial Statements**

The financial information for the OPEB Trust is presented below.

**Statement of Net Assets Available for Benefits**

June 30, 2014	
<b>ASSETS</b>	
Cash and cash equivalents	\$ 36
Interest receivable	93,600
Long-term investments	82,400,621
<b>Total Assets</b>	<b>82,494,257</b>
<b>LIABILITIES</b>	
Benefits payable	-
<b>Net Assets Available for Benefits</b>	<b>\$ 82,494,257</b>

**Statement of Changes in Net Assets Available for Benefits**

June 30, 2014	
<b>ADDITIONS</b>	
Investment income:	
Net realized and unrealized losses in investments	\$ 2,338,003
Dividends and interest	1,477,435
<b>Total Additions</b>	<b>3,815,438</b>
<b>DEDUCTIONS</b>	
Benefits payable	7,558,982
<b>Net Decrease</b>	<b>(3,743,544)</b>
<b>Net Assets Available for Benefits - Beginning of Year</b>	<b>86,237,801</b>
<b>Net Assets Available for Benefits - End of Year</b>	<b>\$ 82,494,257</b>

**Notes to the Condensed OPEB Trust Financial Statements**

**Plan Provisions**

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

**Summary of Significant Accounting Policies**

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

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

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

**12. COMMITMENTS**

As of June 30, 2014, the District had unfinished construction contracts under the following project categories:

Bakersfield College Performing Arts Modernization	\$ 3,434,539
Bakersfield College Water and Gas Line Replacement	1,538,997
Bakersfield Central Chiller Plant Replacement	117,401
Cerro Coso Occupational Lab Reroof/HVAC/Welding Expansion	565,079
Other projects	288,646
<b>Total</b>	<b>\$ 5,944,662</b>

**13. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS**

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. This statement will improve accounting and financial reporting by state and local governments for defined benefit pensions and defined contribution pensions. The statement will also improve information provided by state and local governmental employers about financial support for pensions that are provided by other entities. The District’s management has not yet determined the impact that implementation of these standards, which is required on July 1, 2014, will have on the District’s financial statements, if any.

**SUPPLEMENTARY INFORMATION SECTION**

**BOARD OF TRUSTEES**

<b>Name</b>	<b>Office</b>	<b>Area</b>	<b>Term Expires</b>
Mr. John A. Rodgers	President	Central Bakersfield	2014
Mr. Dennis L. Beebe	Vice President	Southwest Bakersfield	2016
Mrs. Kay Meek	Clerk	Southwest Bakersfield	2016
Mr. John S. Corkins	Member	Porterville	2014
Mr. Ruby Hill	Member	Northeastern Kern County	2016
Mr. Mark Storch	Member	Ridgecrest	2014
Mrs. Pauline F. Larwood	Member	Central Bakersfield	2014

**ADMINISTRATION**

Ms. Sandra V. Serrano  
Chancellor

Mr. Thomas J. Burke  
Chief Financial Officer

Mr. John Means  
Associate Chancellor, Economic & Workforce Development

Mr. Ibrahim Ali  
Vice Chancellor, Human Resources

Mr. Sean James  
Vice Chancellor, Operations

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

**SCHEDULE OF WORKLOAD MEASURES  
FOR STATE GENERAL APPORTIONMENT  
ANNUAL ATTENDANCE**

*Kern Community College District*

June 30, 2014

The full-time equivalent resident students (FTES) eligible for 2014-15 state apportionment reported to the State of California as of June 30, 2014, are summarized below:

	<b>Reported Data</b>
<hr/> <hr/>	
SUMMER INTERSESSION (Summer 2013 only)	
Noncredit	2.09
Credit	1,576.33
SUMMER INTERSESSION (Summer 2014 - Prior to July 1, 2014)	
Noncredit	-
Credit	218.66
PRIMARY TERMS (Exclusive of Summer Intersession)	
Census Procedure Courses	
Weekly Census Contact Hours	12,637.27
Daily Census Contact Hours	774.31
Actual Hours of Attendance Procedure Courses	
Noncredit	39.39
Credit	1,755.38
Alternative Attendance Accounting Procedure	
Weekly Census Contact Hours	1,889.57
Daily Census Contact Hours	237.39
Noncredit Independent Study/Distance Education Courses	-
<b>Total FTES</b>	<b>19,130.39</b>
<hr/> <hr/>	
<b>SUPPLEMENTARY INFORMATION (Subset of above information)</b>	
IN-SERVICE TRAINING COURSES (FTES)	570.64
BASIC SKILLS COURSES AND IMMIGRANT EDUCATION	
Noncredit	37.79
Credit	2,258.07
<hr/> <hr/>	
<b>CCFS 320 ADDENDUM</b>	
CDCP Noncredit FTES	-
Centers FTES	
Noncredit	2.69
Credit	4,149.62
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*See the accompanying notes to the supplementary information.*



**SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS**

June 30, 2014

*Kern Community College District*

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through/ Grantor Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through California Department of Education Child Care Food Program	04352-CACFP-15-CC-CS	10.555	\$ 155,247
<b>Total U.S. Department of Agriculture</b>			<u>155,247</u>
<b>U.S. DEPARTMENT OF LABOR</b>			
Trade Adjustment Assistance Community College and Career Training		17.282	<u>2,320,146</u>
<b>Total U.S. Department of Labor</b>			<u>2,320,146</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Student Financial Assistance Cluster</b>			
Federal Supplemental Education Opportunity Grants		84.007	415,095
Federal Work-Study Program		84.033	575,139
Federal Pell Grant Program		84.063	39,593,825
Federal Direct Student Loans		84.268	<u>3,733,421</u>
<b>Total Student Financial Assistance Cluster</b>			44,317,480
<b>Vocational Rehabilitation Cluster</b>			
Rehabilitation Services - Vocational Rehabilitation Grants to States		84.126	164,238
<b>Passed Through Chancellor's Office</b>			
Foundation for California Community Colleges	P116J10075-12	84.116J	50,036
Career and Technical Education - Basic Grants to States	13-112-520 & 13-C01-023	84.048	1,017,563
Title III - Higher Education Institutional Aid	P03C110073, P03C110009, GRA-1834	84.031	<u>1,090,106</u>
<b>Total U.S. Department of Education</b>			<u>46,639,423</u>
<b>NATIONAL SCIENCE FOUNDATION</b>			
Education and Human Resources		47.076	<u>144,189</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>Passed Through California Department of Education</b>			
General Center - Child Care	CCTR3054	93.596	258,043
State Preschool	CSPP3116	93.596	217,384
<b>Passed Through Chancellor's Office</b>			
Child, Family, and Community Services - Foster Care - Title IV-E	10-2010	93.658	<u>26,330</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>501,757</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 49,760,762</u>

*See the accompanying notes to the supplementary information.*

**SCHEDULE OF EXPENDITURES OF  
STATE AWARDS**

June 30, 2014

*Kern Community College District*

	<b>Program Revenues</b>			
	<b>Cash Received</b>	<b>Accounts Receivable</b>	<b>Deferred Revenue</b>	<b>Total</b>
Extended Opportunity Programs and Services	\$ 1,958,662	\$ (2,442)	\$ -	\$ 1,956,220
CalGrants	3,083,404	(26,209)	-	3,057,195
Disabled Student Programs and Services	1,544,978	-	-	1,544,978
CalWORKS	569,840	-	-	569,840
Matriculation	1,294,673	-	-	1,294,673
Foster Parent	70,913	29,360	-	100,273
Project Care	270,825	-	-	270,825
BFAP	996,357	(483)	-	995,874
CTE Collaborative Projects	595	408,785	-	409,380
Small Business Center	82,000	12,813	-	94,813
PC Development Center	367,183	-	-	367,183
Basic Skills	469,938	-	-	469,938
YEP Funding	31,250	-	154,374	185,624
Enrollment Growth for Nursing	261,550	16,450	-	278,000
Prop 39 Clean Energy Workforce	-	350,000	-	350,000
All other categorical	745,161	(139,329)	-	605,832
<b>Total State Programs</b>	<b>\$ 11,747,329</b>	<b>\$ 648,945</b>	<b>\$ 154,374</b>	<b>\$ 12,550,648</b>

*See the accompanying notes to the supplementary information.*

**RECONCILIATION OF ANNUAL FINANCIAL  
AND BUDGET REPORT (CCFS-311) WITH  
AUDITED FINANCIAL STATEMENTS**

*Kern Community College District*

Page 1 of 2

June 30, 2014

	<u>General Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Other Debt Service Fund</u>	<u>Child Development Fund</u>	<u>Balance Forward</u>
<b>June 30, 2014, Annual Financial and Budget Report (CCFS-311) Fund Balance</b>	\$ 44,064,296	\$ 23,094,759	\$ 39,546,097	\$ 30,005	\$ 106,735,157
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District adjustments	279,198	-	-	-	279,198
Reclassification of amounts held for others	-	-	-	-	-
Rounding	-	(1)	-	(1)	(2)
<b>Net Adjustments and Reclassifications</b>	<u>279,198</u>	<u>(1)</u>	<u>-</u>	<u>(1)</u>	<u>279,196</u>
<b>June 30, 2014, District Accounting Records Fund Balance</b>	<u>\$ 44,343,494</u>	<u>\$ 23,094,758</u>	<u>\$ 39,546,097</u>	<u>\$ 30,004</u>	<u>\$ 107,014,353</u>

See the accompanying notes to the supplementary information.

	<u>Balance Brought Forward</u>	<u>Other Special Revenue Fund</u>	<u>Capital Outlay Projects Fund</u>	<u>Bookstore Fund</u>	<u>Balance Forward</u>
<b>June 30, 2014, Annual Financial and Budget Report (CCFS-311) Fund Balance</b>	\$ 106,735,157	\$ 251,508	\$ 86,100,293	\$ -	\$ 193,086,958
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District adjustments	279,198	-	(788)	-	278,410
Reclassification of amounts held for others	-	-	-	-	-
Rounding	(2)	-	-	-	(2)
<b>Net Adjustments and Reclassifications</b>	<u>279,196</u>	<u>-</u>	<u>(788)</u>	<u>-</u>	<u>278,408</u>
<b>June 30, 2014, District Accounting Records Fund Balance</b>	<u>\$ 107,014,353</u>	<u>\$ 251,508</u>	<u>\$ 86,099,505</u>	<u>\$ -</u>	<u>\$ 193,365,366</u>

See the accompanying notes to the supplementary information.

**RECONCILIATION OF ANNUAL FINANCIAL  
AND BUDGET REPORT (CCFS-311) WITH  
AUDITED FINANCIAL STATEMENTS**

*Kern Community College District*

Page 2 of 2

June 30, 2014

	<b>Balance Brought Forward</b>	<b>Cafeteria Fund</b>	<b>Pay for Print</b>	<b>Student Financial Aid Fund</b>	<b>Other Trust Fund</b>	<b>Balance Forward</b>
<b>June 30, 2014, Annual Financial and Budget Report (CCFS-311) Fund Balance</b>	\$ 193,086,958	\$ 385,513	\$ (1,429)	\$ 33,681	\$ 10,539	\$ 193,515,262
Adjustment and reclassifications increasing (decreasing) the fund balance:						
District adjustments	278,410	-	-	-	-	278,410
Reclassification of amounts held for others	-	-	-	-	-	-
Rounding	(2)	(2)	(1)	1	-	(4)
<b>Net Adjustments and Reclassifications</b>	<b>278,408</b>	<b>(2)</b>	<b>(1)</b>	<b>1</b>	<b>-</b>	<b>278,406</b>
<b>June 30, 2014, District Accounting Records Fund Balance</b>	<b>\$ 193,365,366</b>	<b>\$ 385,511</b>	<b>\$ (1,430)</b>	<b>\$ 33,682</b>	<b>\$ 10,539</b>	<b>\$ 193,793,668</b>

*See the accompanying notes to the supplementary information.*

	<b>Balance Brought Forward</b>	<b>Associated Students Trust Fund</b>	<b>Student Representation Fee Trust Fund</b>	<b>Student Body Center Fee Trust Fund</b>	<b>Total</b>
<b>June 30, 2014, Annual Financial and Budget Report (CCFS-311) Fund Balance</b>	\$ 193,515,262	\$ 156,612	\$ 25,181	\$ 417,541	\$ 194,114,596
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District adjustments	278,410	114,398	-	-	392,808
Reclassification of amounts held for others	-	(271,010)	(25,181)	(417,541)	(713,732)
Rounding	(2)	-	-	-	(2)
<b>Net Adjustments and Reclassifications</b>	<b>377,722</b>	<b>(156,612)</b>	<b>(25,181)</b>	<b>(417,541)</b>	<b>(221,612)</b>
<b>June 30, 2014, District Accounting Records Fund Balance</b>	<b>\$ 193,793,668</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 193,793,668</b>

*See the accompanying notes to the supplementary information.*

**RECONCILIATION OF 50% LAW CALCULATION**

June 30, 2014

*Kern Community College District*

Page 1 of 2

	Object Codes	Instructional Salary Cost AC 0100-5900 and AC 6110			Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b>ACADEMIC SALARIES</b>							
INSTRUCTIONAL SALARIES							
Contract or regular	1100	\$ 26,708,365	\$ -	\$ 26,708,365	\$ 28,803,904	\$ -	\$ 28,803,904
Other	1300	8,631,965	-	8,631,965	8,647,775	-	8,647,775
<b>Total Instructional Salaries</b>		<b>35,340,330</b>	<b>-</b>	<b>35,340,330</b>	<b>37,451,679</b>	<b>-</b>	<b>37,451,679</b>
NON-INSTRUCTIONAL SALARIES							
Contract or regular	1200	-	-	-	5,815,796	-	5,815,796
Other	1400	-	-	-	422,310	-	422,310
<b>Total Non-Instructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>6,238,106</b>	<b>-</b>	<b>6,238,106</b>
<b>Total Academic Salaries</b>		<b>35,340,330</b>	<b>-</b>	<b>35,340,330</b>	<b>43,689,785</b>	<b>-</b>	<b>43,689,785</b>
<b>CLASSIFIED SALARIES</b>							
NON-INSTRUCTIONAL SALARIES							
Regular status	2100	-	-	-	15,199,388	-	15,199,388
Other	2300	-	-	-	514,777	-	514,777
<b>Total Non-Instructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>15,714,165</b>	<b>-</b>	<b>15,714,165</b>
INSTRUCTIONAL AIDES							
Regular status	2200	549,269	-	549,269	693,570	-	693,570
Other	2400	971,883	-	971,883	975,592	-	975,592
<b>Total Instructional Aides</b>		<b>1,521,152</b>	<b>-</b>	<b>1,521,152</b>	<b>1,669,162</b>	<b>-</b>	<b>1,669,162</b>
<b>Total Classified Salaries</b>		<b>1,521,152</b>	<b>-</b>	<b>1,521,152</b>	<b>17,383,327</b>	<b>-</b>	<b>17,383,327</b>
OTHER							
Employee benefits	3000	8,062,325	-	8,062,325	16,944,204	-	16,944,204
Supplies and materials	4000	-	-	-	1,555,519	1,779	1,557,298
Other operating expenses	5000	583,931	-	583,931	14,539,954	(51,114)	14,488,840
Equipment replacement	6420	-	-	-	903	-	903
<b>Total Other</b>		<b>8,646,256</b>	<b>-</b>	<b>8,646,256</b>	<b>33,040,580</b>	<b>(49,335)</b>	<b>32,991,245</b>
<b>Total Expenditures Prior to Exclusions</b>		<b>\$ 45,507,738</b>	<b>\$ -</b>	<b>\$ 45,507,738</b>	<b>\$ 94,113,692</b>	<b>\$ (49,335)</b>	<b>\$ 94,064,357</b>

See the accompanying notes to the supplementary information.

**RECONCILIATION OF 50% LAW CALCULATION**

June 30, 2014

*Kern Community College District*

Page 2 of 2

	Object Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b>EXCLUSIONS</b>							
ACTIVITIES TO EXCLUDE							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected	6441	-	-	-	18,864	-	18,864
Student Transportation	6491	-	-	-	1,701	184,370	186,071
Non-instructional Staff Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
<b>Total Instructional Salaries</b>		-	-	-	20,565	184,370	204,935
OBJECTS TO EXCLUDE							
Rents and leases	5060	-	-	-	774,668	-	774,668
Lottery expenditures:							
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
<b>Subtotal</b>		-	-	-	774,668	-	774,668
Supplies and materials:	4000						
Software	4100	-	-	-	-	-	-
Books, magazines, and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	-	-	-
Non-instructional supplies and materials	4400	-	-	-	-	-	-
<b>Total Supplies and Materials</b>		-	-	-	-	-	-
Other operating expenses and services	5000	-	-	-	2,345,625	-	2,345,625
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
<b>Subtotal</b>		-	-	-	2,345,625	-	2,345,625
Equipment	6400	-	-	-	-	-	-
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
<b>Total Equipment</b>		-	-	-	-	-	-
<b>Total Capital Outlay</b>		-	-	-	-	-	-
Other outgo	7000	-	-	-	-	-	-
<b>Total Exclusions</b>		-	-	-	3,140,858	184,370	3,325,228
<b>Total for ECS 84362 - 50% Law</b>		\$ 45,507,738	\$ -	\$ 45,507,738	\$ 90,972,834	\$ (233,705)	\$ 90,739,129
<b>Percentage of CEE (Instructional Salary Cost/Total CEE)</b>		50.02%	0.00%	50.15%			
<b>50% of Current Expense of Education</b>					\$ 45,486,420	\$ -	\$ 45,369,560

See the accompanying notes to the supplementary information.

**RECONCILIATION OF EDUCATION  
PROTECTION ACCOUNT EXPENDITURES**

*Kern Community College District*

June 30, 2014

	<b>Object Code</b>	<b>Salaries and Benefits (1000-3000)</b>	<b>Operating Expenses (4000-5000)</b>	<b>Capital Outlay (6000)</b>	<b>Total</b>
<b>EPA Proceeds</b>	8630				\$ 15,209,152
<b>Activity Classification:</b>					
Instructional activities	0100-5900	\$ 15,209,152	\$ -	\$ -	15,209,152
<b>Total Revenue Less Expenditures</b>					\$ -

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

**COMBINING BALANCE SHEET –  
DISTRICT FUNDS INCLUDED  
IN THE REPORTING ENTITY**

June 30, 2014	<b>General Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Other Debt Service Fund</b>	<b>Child Development Fund</b>	<b>Balance Forward</b>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 35,474,932	\$ -	\$ (3,853,257)	\$ 156,106	\$ 31,777,781
Restricted cash and cash equivalents - current	-	24,109,246	-	-	24,109,246
Accounts receivable - net	18,632,684	-	106,755	42,761	18,782,200
Prepaid expenses	270,794	-	-	-	270,794
Inventories	-	-	-	-	-
Due from other funds	848,691	6,583	17,765	-	873,039
<b>Total Current Assets</b>	<b>55,227,101</b>	<b>24,115,829</b>	<b>(3,728,737)</b>	<b>198,867</b>	<b>75,813,060</b>
<b>NONCURRENT ASSETS</b>					
Restricted cash and cash equivalents - noncurrent	-	-	-	-	-
Restricted investments	-	-	43,281,417	-	43,281,417
Capital assets - net	456,563	-	-	-	456,563
<b>Total Noncurrent Assets</b>	<b>456,563</b>	<b>-</b>	<b>43,281,417</b>	<b>-</b>	<b>43,737,980</b>
<b>Total Assets</b>	<b>\$ 55,683,664</b>	<b>\$ 24,115,829</b>	<b>\$ 39,552,680</b>	<b>\$ 198,867</b>	<b>\$ 119,551,040</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 8,306,157	\$ -	\$ -	\$ 118,863	\$ 8,425,020
Advances from grantors and students	3,034,013	-	-	50,000	3,084,013
Due to other funds	-	1,021,071	6,583	-	1,027,654
Amounts held in trust for others	-	-	-	-	-
<b>Total Liabilities</b>	<b>11,340,170</b>	<b>1,021,071</b>	<b>6,583</b>	<b>168,863</b>	<b>12,536,687</b>
<b>FUND EQUITY (DEFICIT)</b>					
Fund balances:					
Reserved for debt service	-	23,094,758	39,546,097	-	62,640,855
Reserved for special purposes	14,817,890	-	-	30,004	14,847,894
Unreserved:					
Undesignated	29,525,604	-	-	-	29,525,604
<b>Total Fund Equity (Deficit)</b>	<b>44,343,494</b>	<b>23,094,758</b>	<b>39,546,097</b>	<b>30,004</b>	<b>107,014,353</b>
<b>Total Liabilities and Fund Equity (Deficit)</b>	<b>\$ 55,683,664</b>	<b>\$ 24,115,829</b>	<b>\$ 39,552,680</b>	<b>\$ 198,867</b>	<b>\$ 119,551,040</b>

*See the accompanying notes to the supplementary information.*



**COMBINING BALANCE SHEET –  
DISTRICT FUNDS INCLUDED  
IN THE REPORTING ENTITY**

June 30, 2014	<b>Balance Brought Forward</b>	<b>Other Special Revenue Fund</b>	<b>Capital Outlay Projects Fund</b>	<b>Bookstore Fund</b>	<b>Balance Forward</b>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 31,777,781	\$ 271,315	\$ (2,289,957)	\$ -	\$ 29,759,139
Restricted cash and cash equivalents - current	24,109,246	-	91,000,910	-	115,110,156
Accounts receivable - net	18,782,200	-	830,241	-	19,612,441
Prepaid expenses	270,794	-	-	-	270,794
Inventories	-	-	-	-	-
Due from other funds	873,039	-	1,019,903	-	1,892,942
<b>Total Current Assets</b>	<b>75,813,060</b>	<b>271,315</b>	<b>90,561,097</b>	<b>-</b>	<b>166,645,472</b>
<b>NONCURRENT ASSETS</b>					
Restricted cash and cash equivalents - noncurrent	-	-	-	-	-
Restricted investments	43,281,417	-	-	-	43,281,417
Capital assets - net	456,563	-	-	-	456,563
<b>Total Noncurrent Assets</b>	<b>43,737,980</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,737,980</b>
<b>Total Assets</b>	<b>\$ 119,551,040</b>	<b>\$ 271,315</b>	<b>\$ 90,561,097</b>	<b>\$ -</b>	<b>\$ 210,383,452</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 8,425,020	\$ 19,807	\$ 3,563,057	\$ -	\$ 12,007,884
Advances from grantors and students	3,084,013	-	33,247	-	3,117,260
Due to other funds	1,027,654	-	865,288	-	1,892,942
Amounts held in trust for others	-	-	-	-	-
<b>Total Liabilities</b>	<b>12,536,687</b>	<b>19,807</b>	<b>4,461,592</b>	<b>-</b>	<b>17,018,086</b>
<b>FUND EQUITY (DEFICIT)</b>					
Fund balances:					
Reserved for debt service	62,640,855	-	-	-	62,640,855
Reserved for special purposes	14,847,894	251,508	86,099,505	-	101,198,907
Unreserved:					
Undesignated	29,525,604	-	-	-	29,525,604
<b>Total Fund Equity (Deficit)</b>	<b>107,014,353</b>	<b>251,508</b>	<b>86,099,505</b>	<b>-</b>	<b>193,365,366</b>
<b>Total Liabilities and Fund Equity (Deficit)</b>	<b>\$ 119,551,040</b>	<b>\$ 271,315</b>	<b>\$ 90,561,097</b>	<b>\$ -</b>	<b>\$ 210,383,452</b>

*See the accompanying notes to the supplementary information.*

**COMBINING BALANCE SHEET –  
DISTRICT FUNDS INCLUDED  
IN THE REPORTING ENTITY**

*Kern Community College District*  
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June 30, 2014	<b>Balance Brought Forward</b>	<b>Cafeteria Fund</b>	<b>Pay for Print Fund</b>	<b>Student Financial Aid Fund</b>	<b>Balance Forward</b>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 29,759,139	\$ 351,291	\$ (1,430)	\$ (6,307)	\$ 30,102,693
Restricted cash and cash equivalents - current	115,110,156	-	-	30,084	115,140,240
Accounts receivable - net	19,612,441	29,247	-	9,905	19,651,593
Prepaid expenses	270,794	-	-	-	270,794
Inventories	-	14,901	-	-	14,901
Due from other funds	1,892,942	-	-	-	1,892,942
<b>Total Current Assets</b>	<b>166,645,472</b>	<b>395,439</b>	<b>(1,430)</b>	<b>33,682</b>	<b>167,073,163</b>
<b>NONCURRENT ASSETS</b>					
Restricted cash and cash equivalents - noncurrent	-	-	-	-	-
Restricted investments	43,281,417	-	-	-	43,281,417
Capital assets - net	456,563	-	-	-	456,563
<b>Total Noncurrent Assets</b>	<b>43,737,980</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,737,980</b>
<b>Total Assets</b>	<b>\$ 210,383,452</b>	<b>\$ 395,439</b>	<b>\$ (1,430)</b>	<b>\$ 33,682</b>	<b>\$ 210,811,143</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 12,007,884	\$ 9,928	\$ -	\$ -	\$ 12,017,812
Advances from grantors and students	3,117,260	-	-	-	3,117,260
Due to other funds	1,892,942	-	-	-	1,892,942
Amounts held in trust for others	-	-	-	-	-
<b>Total Liabilities</b>	<b>17,018,086</b>	<b>9,928</b>	<b>-</b>	<b>-</b>	<b>17,028,014</b>
<b>FUND EQUITY (DEFICIT)</b>					
Fund balances:					
Reserved for debt service	62,640,855	-	-	-	62,640,855
Reserved for special purposes	101,198,907	385,511	(1,430)	33,682	101,616,670
Unreserved:					
Undesignated	29,525,604	-	-	-	29,525,604
<b>Total Fund Equity (Deficit)</b>	<b>193,365,366</b>	<b>385,511</b>	<b>(1,430)</b>	<b>33,682</b>	<b>193,783,129</b>
<b>Total Liabilities and Fund Equity (Deficit)</b>	<b>\$ 210,383,452</b>	<b>\$ 395,439</b>	<b>\$ (1,430)</b>	<b>\$ 33,682</b>	<b>\$ 210,811,143</b>

*See the accompanying notes to the supplementary information.*

**COMBINING BALANCE SHEET –  
DISTRICT FUNDS INCLUDED  
IN THE REPORTING ENTITY**

June 30, 2014	<b>Balance Brought Forward</b>	<b>Other Trust Fund</b>	<b>Associated Students Trust Fund</b>	<b>Student Representation Fee Trust Fund</b>	<b>Balance Forward</b>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 30,102,693	\$ 899	\$ -	\$ -	\$ 30,103,592
Restricted cash and cash equivalents - current	115,140,240	(547,303)	357,588	43,511	114,994,036
Accounts receivable - net	19,651,593	591,501	66,265	59	20,309,418
Prepaid expenses	270,794	-	-	-	270,794
Inventories	14,901	-	-	-	14,901
Due from other funds	1,892,942	-	-	-	1,892,942
<b>Total Current Assets</b>	<b>167,073,163</b>	<b>45,097</b>	<b>423,853</b>	<b>43,570</b>	<b>167,585,683</b>
<b>NONCURRENT ASSETS</b>					
Restricted cash and cash equivalents - noncurrent	-	-	-	-	-
Restricted investments	43,281,417	-	-	-	43,281,417
Capital assets - net	456,563	-	-	-	456,563
<b>Total Noncurrent Assets</b>	<b>43,737,980</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,737,980</b>
<b>Total Assets</b>	<b>\$ 210,811,143</b>	<b>\$ 45,097</b>	<b>\$ 423,853</b>	<b>\$ 43,570</b>	<b>\$ 211,323,663</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 12,017,812	\$ 32,679	\$ 82,136	\$ -	\$ 12,132,627
Advances from grantors and students	3,117,260	1,879	70,709	18,389	3,208,237
Due to other funds	1,892,942	-	-	-	1,892,942
Amounts held in trust for others	-	-	271,008	25,181	296,189
<b>Total Liabilities</b>	<b>17,028,014</b>	<b>34,558</b>	<b>423,853</b>	<b>43,570</b>	<b>17,529,995</b>
<b>FUND EQUITY (DEFICIT)</b>					
Fund balances:					
Reserved for debt service	62,640,855	-	-	-	62,640,855
Reserved for special purposes	101,616,670	10,539	-	-	101,627,209
Unreserved:					
Undesignated	29,525,604	-	-	-	29,525,604
<b>Total Fund Equity (Deficit)</b>	<b>193,783,129</b>	<b>10,539</b>	<b>-</b>	<b>-</b>	<b>193,793,668</b>
<b>Total Liabilities and Fund Equity (Deficit)</b>	<b>\$ 210,811,143</b>	<b>\$ 45,097</b>	<b>\$ 423,853</b>	<b>\$ 43,570</b>	<b>\$ 211,323,663</b>

See the accompanying notes to the supplementary information.

**COMBINING BALANCE SHEET –  
DISTRICT FUNDS INCLUDED  
IN THE REPORTING ENTITY**

June 30, 2014	<b>Balance Brought Forward</b>	<b>Student Body Center Fee Trust Fund</b>	<b>Total</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 30,103,592	\$ -	\$ 30,103,592
Restricted cash and cash equivalents - current	114,994,036	510,182	115,504,218
Accounts receivable - net	20,309,418	-	20,309,418
Prepaid expenses	270,794	-	270,794
Inventories	14,901	-	14,901
Due from other funds	1,892,942	-	1,892,942
<b>Total Current Assets</b>	<b>167,585,683</b>	<b>510,182</b>	<b>168,095,865</b>
<b>NONCURRENT ASSETS</b>			
Restricted cash and cash equivalents - noncurrent	-	-	-
Restricted investments	43,281,417	-	43,281,417
Capital assets - net	456,563	-	456,563
<b>Total Noncurrent Assets</b>	<b>43,737,980</b>	<b>-</b>	<b>43,737,980</b>
<b>Total Assets</b>	<b>\$ 211,323,663</b>	<b>\$ 510,182</b>	<b>\$ 211,833,845</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 12,132,627	\$ 19,282	\$ 12,151,909
Advances from grantors and students	3,208,237	73,357	3,281,594
Due to other funds	1,892,942	-	1,892,942
Amounts held in trust for others	296,189	417,543	713,732
<b>Total Liabilities</b>	<b>17,529,995</b>	<b>510,182</b>	<b>18,040,177</b>
<b>FUND EQUITY (DEFICIT)</b>			
Fund balances:			
Reserved for debt service	62,640,855	-	62,640,855
Reserved for special purposes	101,627,209	-	101,627,209
Unreserved:			
Undesignated	29,525,604	-	29,525,604
<b>Total Fund Equity (Deficit)</b>	<b>193,793,668</b>	<b>-</b>	<b>193,793,668</b>
<b>Total Liabilities and Fund Equity (Deficit)</b>	<b>\$ 211,323,663</b>	<b>\$ 510,182</b>	<b>\$ 211,833,845</b>

*See the accompanying notes to the supplementary information.*

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

Year Ended June 30, 2014	<b>General Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Other Debt Service Fund</b>	<b>Child Development Fund</b>	<b>Balance Forward</b>
<b>OPERATING REVENUES</b>					
Tuition and fees	\$ 25,461,761	\$ -	\$ -	\$ 30	\$ 25,461,791
Less: Scholarship discount and allowance	16,937,505	-	-	-	16,937,505
<b>Net Tuition and Fees</b>	<b>8,524,256</b>	<b>-</b>	<b>-</b>	<b>30</b>	<b>8,524,286</b>
Grants and contracts - noncapital:					
Federal	6,175,654	-	-	630,674	6,806,328
State	10,855,073	-	-	1,104,586	11,959,659
Local	2,132,762	-	-	-	2,132,762
Auxiliary enterprise sales and charges	58,352	-	-	16,356	74,708
Other operating revenues	515,493	29,026,964	-	25,067	29,567,524
<b>Total Operating Revenues</b>	<b>28,261,590</b>	<b>29,026,964</b>	<b>-</b>	<b>1,776,713</b>	<b>59,065,267</b>
<b>OPERATING EXPENDITURES/EXPENSES</b>					
Salaries	70,747,699	-	-	1,534,126	72,281,825
Employee benefits	19,346,105	-	-	639,656	19,985,761
Supplies, materials, and other operating expenditures	17,168,471	261,297	11,825	93,006	17,534,599
Capital outlay	2,082,803	-	-	1,117	2,083,920
Utilities	2,828,049	-	-	34,031	2,862,080
Depreciation	-	-	-	-	-
Payments to students	390,790	-	-	-	390,790
<b>Total Operating Expenditures/Expenses</b>	<b>112,563,917</b>	<b>261,297</b>	<b>11,825</b>	<b>2,301,936</b>	<b>115,138,975</b>
<b>Operating Income (Loss)</b>	<b>(84,302,327)</b>	<b>28,765,667</b>	<b>(11,825)</b>	<b>(525,223)</b>	<b>(56,073,708)</b>
<b>NONOPERATING REVENUES (EXPENDITURES)</b>					
State apportionments - noncapital	35,130,729	-	-	-	35,130,729
Education protection account revenues	15,209,152	-	-	-	15,209,152
Local property taxes - noncapital	48,043,317	-	-	-	48,043,317
State taxes and other revenues - noncapital	3,893,743	95,383	-	-	3,989,126
Investment income - noncapital	147,414	-	-	31	147,445
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid disbursements	-	-	-	-	-
Other nonoperating expenditures/expenses	(2,235,195)	-	(30,688,206)	(24,200)	(32,947,601)
<b>Total Nonoperating Revenues (Expenditures)</b>	<b>100,189,160</b>	<b>95,383</b>	<b>(30,688,206)</b>	<b>(24,169)</b>	<b>69,572,168</b>
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	<b>15,886,833</b>	<b>28,861,050</b>	<b>(30,700,031)</b>	<b>(549,392)</b>	<b>13,498,460</b>
<b>OTHER REVENUES AND EXPENDITURES</b>					
Local property taxes and revenues - capital	-	11,475,088	-	-	11,475,088
State apportionments - capital	-	-	-	-	-
Investment income - capital	-	32,388	1,059,954	-	1,092,342
Debt service	(5,923,689)	(58,924,198)	-	-	(64,847,887)
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	<b>9,963,144</b>	<b>(18,555,672)</b>	<b>(29,640,077)</b>	<b>(549,392)</b>	<b>(38,781,997)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond proceeds	-	19,560,133	-	-	19,560,133
Operating transfers in	2,414,799	3,310,924	2,251,709	1,017,395	8,994,827
Operating transfers out	(1,948,042)	-	(5,939)	(87,380)	(2,041,361)
<b>Total Other Financing Sources (Uses)</b>	<b>466,757</b>	<b>22,871,057</b>	<b>2,245,770</b>	<b>930,015</b>	<b>26,513,599</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	<b>10,429,901</b>	<b>4,315,385</b>	<b>(27,394,307)</b>	<b>380,623</b>	<b>(12,268,398)</b>
<b>Fund Equity - Beginning of Year</b>	<b>33,913,593</b>	<b>18,779,373</b>	<b>66,940,404</b>	<b>(350,619)</b>	<b>119,282,751</b>
<b>Fund Equity - End of Year</b>	<b>\$ 44,343,494</b>	<b>\$ 23,094,758</b>	<b>\$ 39,546,097</b>	<b>\$ 30,004</b>	<b>\$ 107,014,353</b>

See the accompanying notes to the supplementary information.

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

Year Ended June 30, 2014	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Bookstore Fund	Balance Forward
<b>OPERATING REVENUES</b>					
Tuition and fees	\$ 25,461,791	\$ -	\$ 54,665	\$ -	\$ 25,516,456
Less: Scholarship discount and allowance	16,937,505	-	-	-	16,937,505
<b>Net Tuition and Fees</b>	<b>8,524,286</b>	<b>-</b>	<b>54,665</b>	<b>-</b>	<b>8,578,951</b>
Grants and contracts - noncapital:					
Federal	6,806,328	-	-	-	6,806,328
State	11,959,659	-	900,021	-	12,859,680
Local	2,132,762	12,427	200	-	2,145,389
Auxiliary enterprise sales and charges	74,708	-	-	4,721	79,429
Other operating revenues	29,567,524	-	170,424	(13,449)	29,724,499
<b>Total Operating Revenues</b>	<b>59,065,267</b>	<b>12,427</b>	<b>1,125,310</b>	<b>(8,728)</b>	<b>60,194,276</b>
<b>OPERATING EXPENDITURES/EXPENSES</b>					
Salaries	72,281,825	-	399,764	-	72,681,589
Employee benefits	19,985,761	-	154,936	-	20,140,697
Supplies, materials, and other operating expenditures	17,534,599	37,909	21,766,076	255,870	39,594,454
Capital outlay	2,083,920	-	1,389,933	-	3,473,853
Utilities	2,862,080	-	-	-	2,862,080
Depreciation	-	-	-	84,786	84,786
Payments to students	390,790	-	-	-	390,790
<b>Total Operating Expenditures/Expenses</b>	<b>115,138,975</b>	<b>37,909</b>	<b>23,710,709</b>	<b>340,656</b>	<b>139,228,249</b>
<b>Operating Income (Loss)</b>	<b>(56,073,708)</b>	<b>(25,482)</b>	<b>(22,585,399)</b>	<b>(349,384)</b>	<b>(79,033,973)</b>
<b>NONOPERATING REVENUES (EXPENDITURES)</b>					
State apportionments - noncapital	35,130,729	-	-	-	35,130,729
Education protection account revenues	15,209,152	-	-	-	15,209,152
Local property taxes - noncapital	48,043,317	-	-	-	48,043,317
State taxes and other revenues - noncapital	3,989,126	-	-	-	3,989,126
Investment income - noncapital	147,445	-	-	421	147,866
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid disbursements	-	-	-	-	-
Other nonoperating expenditures/expenses	(32,947,601)	-	-	-	(32,947,601)
<b>Total Nonoperating Revenues (Expenditures)</b>	<b>69,572,168</b>	<b>-</b>	<b>-</b>	<b>421</b>	<b>69,572,589</b>
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	<b>13,498,460</b>	<b>(25,482)</b>	<b>(22,585,399)</b>	<b>(348,963)</b>	<b>(9,461,384)</b>
<b>OTHER REVENUES AND EXPENDITURES</b>					
Local property taxes and revenues - capital	11,475,088	-	-	-	11,475,088
State apportionments - capital	-	-	10,238,841	-	10,238,841
Investment income - capital	1,092,342	-	157,192	-	1,249,534
Debt service	(64,847,887)	-	-	-	(64,847,887)
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	<b>(38,781,997)</b>	<b>(25,482)</b>	<b>(12,189,366)</b>	<b>(348,963)</b>	<b>(51,345,808)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond proceeds	19,560,133	-	58,126,179	-	77,686,312
Operating transfers in	8,994,827	-	(3,310,712)	166,780	5,850,895
Operating transfers out	(2,041,361)	-	(2,275,999)	(1,630,480)	(5,947,840)
<b>Total Other Financing Sources (Uses)</b>	<b>26,513,599</b>	<b>-</b>	<b>52,539,468</b>	<b>(1,463,700)</b>	<b>77,589,367</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	<b>(12,268,398)</b>	<b>(25,482)</b>	<b>40,350,102</b>	<b>(1,812,663)</b>	<b>26,243,559</b>
<b>Fund Equity - Beginning of Year</b>	<b>119,282,751</b>	<b>276,990</b>	<b>45,749,403</b>	<b>1,812,663</b>	<b>167,121,807</b>
<b>Fund Equity - End of Year</b>	<b>\$ 107,014,353</b>	<b>\$ 251,508</b>	<b>\$ 86,099,505</b>	<b>\$ -</b>	<b>\$ 193,365,366</b>

See the accompanying notes to the supplementary information.

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

Year Ended June 30, 2014	Balance Brought Forward	Cafeteria Fund	Pay for Print Fund	Student Financial Aid Fund	Balance Forward
<b>OPERATING REVENUES</b>					
Tuition and fees	\$ 25,516,456	\$ -	\$ -	\$ -	\$ 25,516,456
Less: Scholarship discount and allowance	16,937,505	-	-	-	16,937,505
<b>Net Tuition and Fees</b>	<b>8,578,951</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,578,951</b>
Grants and contracts - noncapital:					
Federal	6,806,328	-	-	-	6,806,328
State	12,859,680	-	-	-	12,859,680
Local	2,145,389	-	-	-	2,145,389
Auxiliary enterprise sales and charges	79,429	1,364,431	24,818	-	1,468,678
Other operating revenues	29,724,499	-	-	-	29,724,499
<b>Total Operating Revenues</b>	<b>60,194,276</b>	<b>1,364,431</b>	<b>24,818</b>	<b>-</b>	<b>61,583,525</b>
<b>OPERATING EXPENDITURES/EXPENSES</b>					
Salaries	72,681,589	439,470	-	-	73,121,059
Employee benefits	20,140,697	186,271	-	-	20,326,968
Supplies, materials, and other operating expenditures	39,594,454	666,328	-	-	40,260,782
Capital outlay	3,473,853	-	-	-	3,473,853
Utilities	2,862,080	-	-	-	2,862,080
Depreciation	84,786	-	-	-	84,786
Payments to students	390,790	-	-	-	390,790
<b>Total Operating Expenditures/Expenses</b>	<b>139,228,249</b>	<b>1,292,069</b>	<b>-</b>	<b>-</b>	<b>140,520,318</b>
<b>Operating Income (Loss)</b>	<b>(79,033,973)</b>	<b>72,362</b>	<b>24,818</b>	<b>-</b>	<b>(78,936,793)</b>
<b>NONOPERATING REVENUES (EXPENDITURES)</b>					
State apportionments - noncapital	35,130,729	-	-	-	35,130,729
Education protection account revenues	15,209,152	-	-	-	15,209,152
Local property taxes - noncapital	48,043,317	-	-	-	48,043,317
State taxes and other revenues - noncapital	3,989,126	-	-	-	3,989,126
Investment income - noncapital	147,866	-	-	-	147,866
Financial aid revenues - federal	-	-	-	415,095	415,095
Financial aid revenues - state	-	-	-	-	-
Financial aid disbursements	-	-	-	(415,095)	(415,095)
Other nonoperating expenditures/expenses	(32,947,601)	-	-	-	(32,947,601)
<b>Total Nonoperating Revenues (Expenditures)</b>	<b>69,572,589</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69,572,589</b>
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	<b>(9,461,384)</b>	<b>72,362</b>	<b>24,818</b>	<b>-</b>	<b>(9,364,204)</b>
<b>OTHER REVENUES AND EXPENDITURES</b>					
Local property taxes and revenues - capital	11,475,088	-	-	-	11,475,088
State apportionments - capital	10,238,841	-	-	-	10,238,841
Investment income - capital	1,249,534	-	-	-	1,249,534
Debt service	(64,847,887)	-	-	-	(64,847,887)
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	<b>(51,345,808)</b>	<b>72,362</b>	<b>24,818</b>	<b>-</b>	<b>(51,248,628)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond proceeds	77,686,312	-	-	-	77,686,312
Operating transfers in	5,850,895	-	28,211	-	5,879,106
Operating transfers out	(5,947,840)	(54,641)	-	(57,209)	(6,059,690)
<b>Total Other Financing Sources (Uses)</b>	<b>77,589,367</b>	<b>(54,641)</b>	<b>28,211</b>	<b>(57,209)</b>	<b>77,505,728</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	<b>26,243,559</b>	<b>17,721</b>	<b>53,029</b>	<b>(57,209)</b>	<b>26,257,100</b>
<b>Fund Equity - Beginning of Year</b>	<b>167,121,807</b>	<b>367,790</b>	<b>(54,459)</b>	<b>90,891</b>	<b>167,526,029</b>
<b>Fund Equity - End of Year</b>	<b>\$ 193,365,366</b>	<b>\$ 385,511</b>	<b>\$ (1,430)</b>	<b>\$ 33,682</b>	<b>\$ 193,783,129</b>

See the accompanying notes to the supplementary information.

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

Year Ended June 30, 2014	Balance Brought Forward	Other Trust Fund	Associated Students Trust Fund	Student Representation Fee Trust Fund	Balance Forward
<b>OPERATING REVENUES</b>					
Tuition and fees	\$ 25,516,456	\$ -	\$ -	\$ -	\$ 25,516,456
Less: Scholarship discount and allowance	16,937,505	-	-	-	16,937,505
<b>Net Tuition and Fees</b>	<b>8,578,951</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,578,951</b>
Grants and contracts - noncapital:					
Federal	6,806,328	-	-	-	6,806,328
State	12,859,680	-	-	-	12,859,680
Local	2,145,389	-	-	-	2,145,389
Auxiliary enterprise sales and charges	1,468,678	-	-	-	1,468,678
Other operating revenues	29,724,499	-	-	-	29,724,499
<b>Total Operating Revenues</b>	<b>61,583,525</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61,583,525</b>
<b>OPERATING EXPENDITURES/EXPENSES</b>					
Salaries	73,121,059	-	-	-	73,121,059
Employee benefits	20,326,968	-	-	-	20,326,968
Supplies, materials, and other operating expenditures	40,260,782	-	-	-	40,260,782
Capital outlay	3,473,853	-	-	-	3,473,853
Utilities	2,862,080	-	-	-	2,862,080
Depreciation	84,786	-	-	-	84,786
Payments to students	390,790	-	-	-	390,790
<b>Total Operating Expenditures/Expenses</b>	<b>140,520,318</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,520,318</b>
<b>Operating Income (Loss)</b>	<b>(78,936,793)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(78,936,793)</b>
<b>NONOPERATING REVENUES (EXPENDITURES)</b>					
State apportionments - noncapital	35,130,729	-	-	-	35,130,729
Education protection account revenues	15,209,152	-	-	-	15,209,152
Local property taxes	48,043,317	-	-	-	48,043,317
State taxes and other revenues - noncapital	3,989,126	-	-	-	3,989,126
Investment income - noncapital	147,866	-	-	-	147,866
Financial aid revenues - federal	415,095	43,202,506	-	-	43,617,601
Financial aid revenues - state	-	3,057,195	-	-	3,057,195
Financial aid disbursements	(415,095)	(46,363,087)	-	-	(46,778,182)
Other nonoperating expenditures/expenses	(32,947,601)	-	-	-	(32,947,601)
<b>Total Nonoperating Revenues (Expenditures)</b>	<b>69,572,589</b>	<b>(103,386)</b>	<b>-</b>	<b>-</b>	<b>69,469,203</b>
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	<b>(9,364,204)</b>	<b>(103,386)</b>	<b>-</b>	<b>-</b>	<b>(9,467,590)</b>
<b>OTHER REVENUES AND EXPENDITURES</b>					
Local property taxes and revenues - capital	11,475,088	-	-	-	11,475,088
State apportionments - capital	10,238,841	-	-	-	10,238,841
Investment income - capital	1,249,534	-	-	-	1,249,534
Debt service	(64,847,887)	-	-	-	(64,847,887)
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	<b>(51,248,628)</b>	<b>(103,386)</b>	<b>-</b>	<b>-</b>	<b>(51,352,014)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond proceeds	77,686,312	-	-	-	77,686,312
Operating transfers in	5,879,106	180,584	-	-	6,059,690
Operating transfers out	(6,059,690)	-	-	-	(6,059,690)
<b>Total Other Financing Sources (Uses)</b>	<b>77,505,728</b>	<b>180,584</b>	<b>-</b>	<b>-</b>	<b>77,686,312</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	<b>26,257,100</b>	<b>77,198</b>	<b>-</b>	<b>-</b>	<b>26,334,298</b>
<b>Fund Equity - Beginning of Year</b>	<b>167,526,029</b>	<b>(66,659)</b>	<b>-</b>	<b>-</b>	<b>167,459,370</b>
<b>Fund Equity - End of Year</b>	<b>\$ 193,783,129</b>	<b>\$ 10,539</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 193,793,668</b>

See the accompanying notes to the supplementary information.



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

*Kern Community College District*

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Year Ended June 30, 2014	<b>Balance Brought Forward</b>	<b>Student Body Center Fee Trust Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Tuition and fees	\$ 25,516,456	\$ -	\$ 25,516,456
Less: Scholarship discount and allowance	16,937,505	-	16,937,505
<b>Net Tuition and Fees</b>	8,578,951	-	8,578,951
Grants and contracts - noncapital:			
Federal	6,806,328	-	6,806,328
State	12,859,680	-	12,859,680
Local	2,145,389	-	2,145,389
Auxiliary enterprise sales and charges	1,468,678	-	1,468,678
Other operating revenues	29,724,499	-	29,724,499
<b>Total Operating Revenues</b>	61,583,525	-	61,583,525
<b>OPERATING EXPENDITURES/EXPENSES</b>			
Salaries	73,121,059	-	73,121,059
Employee benefits	20,326,968	-	20,326,968
Supplies, materials, and other operating expenditures	40,260,782	-	40,260,782
Capital outlay	3,473,853	-	3,473,853
Utilities	2,862,080	-	2,862,080
Depreciation	84,786	-	84,786
Payments to students	390,790	-	390,790
<b>Total Operating Expenditures/Expenses</b>	140,520,318	-	140,520,318
<b>Operating Income (Loss)</b>	(78,936,793)	-	(78,936,793)
<b>NONOPERATING REVENUES (EXPENDITURES)</b>			
State apportionments - noncapital	35,130,729	-	35,130,729
Education protection account revenues	15,209,152	-	15,209,152
Local property taxes	48,043,317	-	48,043,317
State taxes and other revenues - noncapital	3,989,126	-	3,989,126
Investment income - noncapital	147,866	-	147,866
Financial aid revenues - federal	43,617,601	-	43,617,601
Financial aid revenues - state	3,057,195	-	3,057,195
Financial aid disbursements	(46,778,182)	-	(46,778,182)
Other nonoperating expenditures/expenses	(32,947,601)	-	(32,947,601)
<b>Total Nonoperating Revenues (Expenditures)</b>	69,469,203	-	69,469,203
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	(9,467,590)	-	(9,467,590)
<b>OTHER REVENUES AND EXPENDITURES</b>			
Local property taxes and revenues - capital	11,475,088	-	11,475,088
State apportionments - capital	10,238,841	-	10,238,841
Investment income - capital	1,249,534	-	1,249,534
Debt service	(64,847,887)	-	(64,847,887)
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	(51,352,014)	-	(51,352,014)
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds	77,686,312	-	77,686,312
Operating transfers in	6,059,690	-	6,059,690
Operating transfers out	(6,059,690)	-	(6,059,690)
<b>Total Other Financing Sources (Uses)</b>	77,686,312	-	77,686,312
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	26,334,298	-	26,334,298
<b>Fund Equity - Beginning of Year</b>	167,459,370	-	167,459,370
<b>Fund Equity - End of Year</b>	\$ 193,793,668	\$ -	\$ 193,793,668

See the accompanying notes to the supplementary information.

**RECONCILIATION OF FUND EQUITY  
TO NET POSITION**

*Kern Community College District*

June 30, 2014

<b>Total Fund Equity - District Funds Included in the Reporting Entity</b>		\$ 193,793,668
Assets recorded within the GASB 35 Statement of Net Position not included in the District fund financial statements:		
Depreciable capital assets	\$ 281,569,155	
Accumulated depreciation	<u>(96,896,025)</u>	184,673,130
Nondepreciable capital assets		77,230,317
Other postemployment benefits obligation		57,035,928
Excess insurance reserve		931,153
Deferred Loss on Refunding		3,691,586
Liabilities recorded within the GASB 35 Statement of Net Position not recorded in the District fund financial statements:		
Accounts payable:		
Interest payable		(3,424,449)
Retentions payable		(981,465)
Compensated absences	(2,441,360)	
Other long-term liabilities	<u>(340,780,803)</u>	<u>(343,222,163)</u>
<b>Net Assets Reported Within the GASB 35 Statement of Net Position</b>		<b>\$ 169,727,705</b>

*See the accompanying notes to the supplementary information.*

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

*Kern Community College District*

June 30, 2014

<b>Total Net Change in Fund Equity - District Funds Included in the Reporting Entity</b>	<b>\$ 26,334,298</b>
Compensated absence expense reduction reported within the GASB 35 Statements	(191,275)
Depreciation expense reported within the GASB 35 Statements	(5,161,032)
Amortization of bond premium cost reported within the GASB 35 Statements	1,249,205
Amortization of deferred loss on refunding within the GASB 35 Statements	(863,501)
Capital outlay expense not reported within the GASB 35 Statements	24,985,934
Retentions payable reported within the GASB 35 Statements	(593,986)
Excess insurance reserve reported within the GASB 35 Statements	(319,405)
Increase in interest expense for capital asset related debt reported within the GASB 35 Statements	(5,343,931)
Principal payments on debt not reported within the GASB 35 Statements	52,257,389
Cost of issuance expenses reported within the GASB 35 Statements	(710,211)
Proceeds from issuance of debt not reported within the GASB 35 Statements	(77,686,312)
Prepaid expense of other postemployment benefits reported within the GASB 35 Statements	<u>(5,402,334)</u>
<b>Net Change in Net Position Reported Within the GASB 35 Statement of Revenues, Expenses, and Changes in Net Assets</b>	<b><u>\$ 8,554,839</u></b>

*See the accompanying notes to the supplementary information.*

**1. PURPOSE OF SCHEDULES**

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

The Schedule of Workload Measures for State General Apportionment Annualized Attendance as of June 30, 2014, represents the basis of apportionment of the District's annual source of funding.

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

The audit of the Kern Community College District (the District) for the year ended June 30, 2014, was conducted in accordance with OMB Circular A-133, which requires disclosure of the financial activities of all federally funded programs. To comply with OMB Circular A-133 and state requirements, the Schedule of Expenditures of Federal Awards and Schedule of State Awards were prepared for the District.

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

**Reconciliation of Annual Financial and Budget Report (CCFS-311) With District Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District accounting records.

**Reconciliation of 50% Law Calculation**

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

**Reconciliation of Education Protection Account Expenditures**

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

**2. COMBINING FINANCIAL STATEMENTS SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTES TO THE SUPPLEMENTARY  
INFORMATION**

*Kern Community College District*

June 30, 2014

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

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

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

**OTHER REPORTS SECTION**



MATSON  
& ISOM

**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, 2014, 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 8, 2014.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control over financial reporting 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

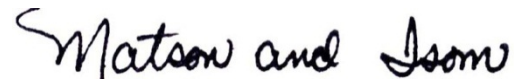
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

**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

**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.

A handwritten signature in black ink that reads "Matson and Isom". The signature is written in a cursive, flowing style.

December 8, 2014  
Redding, California





MATSON  
& ISOM

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

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

**Report on Compliance for Each Major Federal Program**

We have audited Kern Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***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, 2014.

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

Continued

**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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance, and the results of the testing, based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Matson and Isom*

December 8, 2014  
Redding, California



MATSON  
& ISOM

## 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 2013-14*, published by the California Community Colleges Chancellor's Office, for the year ended June 30, 2014. 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 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 2013-14*, published by the California Community Colleges Chancellor's Office. Those standards and the *California Community Colleges Contracted District Audit Manual 2013-14* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination of the District's compliance with those requirements.

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Continued

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

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### *Opinion on State Compliance*

In our opinion, the District complied, in all material respects, with the state laws and regulations referred to above that are applicable to the District for the year ended June 30, 2014.

*Matson and Isom*

December 8, 2014  
Redding, California

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS SECTION**

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

June 30, 2014

*Kern Community College District*

**SECTION I  
SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	No
Identification of major programs:	
CFDA Nos. 84.007, 84.033, 84.268, and 84.063	Student Financial Assistance Cluster
CFDA No. 84.031	Title III – Higher Education Institutional Aid
Threshold for distinguishing types A and B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**STATE AWARDS**

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

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

June 30, 2014

*Kern Community College District*

**SECTION II FINDINGS  
FINANCIAL STATEMENTS AUDIT**

None.

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

June 30, 2014

*Kern Community College District*

**SECTION III FINDINGS  
FEDERAL AWARDS AUDIT**

None.



**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

June 30, 2014

*Kern Community College District*

**SECTION IV FINDINGS  
STATE AWARDS AUDIT**

None.

**CORRECTIVE ACTION PLAN**

June 30, 2014

*Kern Community College District*

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

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

June 30, 2014

*Kern Community College District*

**SECTION IV FINDINGS  
STATE AWARDS AUDIT**

**STATE COMPLIANCE (475 - Disabled Student Programs and Services - DSPS)**

2013-0001

**Significant Deficiency**

**Condition**

During our testing in the prior year, we discovered that 10 of the 16 student files selected from the Bakersfield campus were missing required documents.

**Criteria**

To demonstrate compliance with *California Code of Regulations*, Title 5, Section 56026, the District should maintain records of the services provided to students with disabilities, including number of hours, pay rate, name of providers, and the identification of the disability and educational limitations requiring the service.

**Effect**

There is a potential for noncompliance with the Chancellors' Office *Implementing Guidelines for Title 5 Regulations* – DSPS, due to lack of effective monitoring and retention of student files.

***Recommendation***

We recommended that the District develop and complete a checklist that includes all of the required file documents for each student.

***Status***

We noted no such findings in the current year.

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

June 30, 2014

*Kern Community College District*

**STATE COMPLIANCE (424 – State General Apportionment)**

2013-0002

**Significant Deficiency**

**Condition**

During our testing of the General Apportionment Funding System in the prior year, we noted one course section where the census date was calculated incorrectly. The census date used for calculation of contact hours and full time equivalent students was one day later than the correct calculation of the census date. This did not result in an error in the FTES reported for the course section. The District reviewed the error and noted that it was caused by a manual change in the course section from an 8-week course to a 4-week course. This is an extremely rare occurrence and the District is confident that no other census dates are incorrect.

**Criteria**

Per the Student Attendance Accounting Manual (SAAM), census dates are to be calculated as the week/day nearest 20% of the total number of section meetings.

**Effect**

We noted no errors in the reporting of the FTES for the above one course section.

***Recommendation***

We recommended the District institute procedures to recalculate census dates for any course sections that are manually modified in the future.

***Status***

We noted no such findings in the current year.