

Kern Community College District

Bakersfield, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2017



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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, 2017; and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of June 30, 2017; and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 7 and the required supplementary information on pages 46 to 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information on pages 53 to 75, and the schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 53 to 75 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT

(Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KCoe Jam, LLP

December 8, 2017
Redding, California

FINANCIAL SECTION

OVERVIEW

The 2016-17 California state budget continued to provide increased resources for the States Community Colleges. The State's economy is continuing to expand providing additional tax revenues available for State funded programs. The District accordingly experienced continued growth in its funding resources.

The District continues to take a conservative approach to the fiscal changes occurring at the State due to a couple of key issues that will adversely impact future State revenues. The impact of the Proposition 30 sales tax increase sun setting at the end of 2016, has had minimal impact on the District revenues due to the majority of the Proposition 30 revenues being generated by personal income taxes. This change has significantly decreased the potential of a significant revenue reduction in 2018-19 fiscal year. Currently fourteen percent (14%) of the District's unrestricted revenues are funded by Proposition 30 receipts. In addition, the current economic recovery is in its ninth year. Thus the likelihood of an economic downturn resulting in a recession sometime in the near future is a virtual certainty when looking back on the average historical lengths of economic cycles of expansion and recession. Due to these issues which create uncertainty with the State budget, the District believes it needs to continue to position itself for a long term financial downturn. The District continues to evaluate and identify opportunities for expenditure controls, organizational enhancements, reserve management and conservative budget planning and student enrollment management practices.

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

STATEMENT OF NET POSITION

Overall the District's expenses exceeded revenues resulting in a decrease in net position of \$1.1 million, decreasing from \$100.1 million to \$99 million.

The District's total assets and deferred outflows increased by \$70.1 Million. This change is largely due to an increase in current and noncurrent cash of \$50 million, accounts receivable increase of \$2.2 million, and depreciable and nondepreciable capital assets increase of \$6 million due to completion of several construction projects. In addition, the deferred outflows of resources increased by \$21M due to changes in the pension deferred outflows. These increases were partially offset by a decrease in prepaid OPEB amounts of \$4.6 million. There is no discussion regarding the \$21M increase in deferred outflows of resources.

The Districts total liabilities and deferred inflows increased \$71.2 million. This increase is primarily due to an increase in pension liabilities of \$31.2 million, bonds and leases payable increase of \$36.4 million (due to Measure J Bond issuance), increase in accounts payable of \$1.6 million and increase in advances from grantors and students of \$7.6 million due to increase in multiyear grant funding. These increases were partially offset by a \$5.8 million decrease in deferred inflows related to pensions.

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

June 30	2017	2016	Change	% Change
Assets				
Current assets:				
Cash and cash equivalents	\$ 163,164,852	\$ 112,357,729	\$ 50,807,123	45.2%
Accounts receivable - net	12,427,511	10,222,311	2,205,200	21.6%
Prepaid expenses	436,382	354,123	82,259	23.2%
Inventories	25,730	21,956	3,774	17.2%
Total Current Assets	176,054,475	122,956,119	53,098,356	43.2%
Noncurrent assets:				
Restricted cash and cash equivalents	48,602,199	54,058,879	(5,456,680)	-10.1%
Restricted investments	17,851,163	17,866,591	(15,428)	-0.1%
Other post employment benefits asset	41,372,101	45,990,800	(4,618,699)	-10.0%
Nondepreciable capital assets	58,606,217	66,942,387	(8,336,170)	-12.5%
Depreciable capital assets - net	232,652,839	218,312,087	14,340,752	6.6%
Total Noncurrent Assets	399,084,519	403,170,744	(4,086,225)	-1.0%
Total Assets	575,138,994	526,126,863	49,012,131	9.3%
Deferred Outflow of Resources	\$ 37,586,146	\$ 16,540,945	\$ 21,045,201	127.2%
Liabilities				
Current liabilities:				
Accounts payable	\$ 20,708,912	\$ 19,132,228	\$ 1,576,684	8.2%
Advances from grantors and students	17,318,890	9,723,431	7,595,459	78.1%
Compensated absences - current portion	1,547,764	2,310,891	(763,127)	-33.0%
Long-term debt - current portion	11,233,645	10,559,284	674,361	6.4%
Amounts held in trust for others	1,030,709	910,753	119,956	13.2%
Total Current Liabilities	51,839,920	42,636,587	9,203,333	21.6%
Noncurrent liabilities:				
Compensated absences - noncurrent portion	1,481,025	570,229	910,796	159.7%
Net pension liabilities	124,666,887	93,437,489	31,229,398	33.4%
Long-term debt - noncurrent portion	332,450,829	296,813,429	35,637,400	12.0%
Total Noncurrent Liabilities	458,598,741	390,821,147	67,777,594	17.3%
Total Liabilities	510,438,661	433,457,734	76,980,927	17.8%
Deferred Inflow of Resources	\$ 3,289,005	\$ 9,099,650	\$ (5,810,645)	-63.9%
Net Position				
Net investment in capital assets	\$ 93,659,711	\$ 99,032,600	\$ (5,372,889)	-5.4%
Restricted - expendable	29,745,287	25,294,939	4,450,348	17.6%
Unrestricted	(24,407,524)	(24,217,115)	(190,409)	0.8%
Total Net Position	\$ 98,997,474	\$ 100,110,424	\$ (1,112,950)	-1.1%

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Overall the District's net position decreased by \$1.1 million, decreasing from \$100.1 million to \$99 million. This decrease was primarily due to the increases and decreases in revenues and expenses as described below.

Expenses of \$244 million exceeded revenues of \$243 million, resulting in a decrease in net position of \$1 million. Revenues increased \$5.1 million from the prior year. This change was primarily due to increases of State appropriations non-capital of \$11.4 million, financial aid revenues of \$1.6 million, other nonoperating revenues – noncapital of \$1.1 million and State grants and contracts – non capital of \$4.1 million; offset by decreases in State taxes and other revenues of \$8.4 million, local property taxes of \$4 million.

Expenses increased a net \$26.2 million from the prior year. This change was primarily due to a an increase in salaries and benefit costs of \$18.2 million due to staffing and salary increases and increases in benefits and an increase in supplies, materials and other expenses of \$7.8 million.

Years Ended June 30	2017	2016	Change	% Change
Operating revenues	\$ 48,524,559	\$ 44,812,289	\$ 3,712,270	8.3%
Operating expenses	180,037,480	157,775,045	22,262,435	14.1%
Operating loss	(131,512,921)	(112,962,756)	(18,550,165)	16.4%
Nonoperating revenues and expenses	131,994,079	133,188,031	(1,193,952)	-0.9%
Income Before Other Revenue and Expenses	481,158	20,225,275	(19,744,117)	-97.6%
Other revenue and expenses	(1,594,108)	(607,496)	(986,612)	162.4%
Change in Net Position	\$ (1,112,950)	\$ 19,617,779	\$ (20,730,729)	-105.7%

Years Ended June 30	2017	2016	Change	% Change
Cash received from operations	\$ 53,057,866	\$ 46,934,288	\$ 6,123,578	13.0%
Cash expended for operations	(162,162,989)	(135,797,364)	(26,365,625)	19.4%
Net Cash Used by Operating Activities	(109,105,123)	(88,863,076)	(20,242,047)	22.8%
Net cash provided by noncapital financing activities	131,459,882	130,837,780	622,102	0.5%
Net cash provided (used) by capital and related financing activities	22,052,145	(29,755,074)	51,807,219	-174.1%
Net cash provided by investing activities	943,539	6,697,261	(5,753,722)	-85.9%
Net Change in Cash and Cash Equivalents	45,350,443	18,916,891	26,433,552	139.7%
Cash and Cash Equivalents - Beginning of Year	166,416,608	147,499,717	18,916,891	12.8%
Cash and Cash Equivalents - End of Year	\$ 211,767,051	\$ 166,416,608	\$ 45,350,443	27.3%

Kern Community College District
STATEMENT OF NET POSITION

June 30, 2017

ASSETS

Current Assets

Cash and cash equivalents	\$ 104,863,192
Restricted cash and cash equivalents	58,301,660
Accounts receivable - net	12,427,511
Prepaid expenses	436,382
Inventories	25,730

Total Current Assets 176,054,475

Noncurrent Assets

Restricted cash and cash equivalents	48,602,199
Restricted investments	17,851,163
Other postemployment benefits asset	41,372,101
Depreciable capital assets - net	232,652,839
Nondepreciable capital assets	58,606,217

Total Noncurrent Assets 399,084,519

TOTAL ASSETS 575,138,994

Deferred Outflow of Resources

Deferred outflow related to pensions	34,942,134
Deferred loss on refunding - net	2,644,012

Total Deferred Outflow of Resources \$ 37,586,146

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

Kern Community College District

STATEMENT OF NET POSITION

(Continued)

June 30, 2017

LIABILITIES

Current Liabilities

Accounts payable	\$ 20,708,912
Advances from grantors and students	17,318,890
Compensated absences - current portion	1,547,764
Long-term debt - current portion	11,233,645
Amounts held in trust for others	1,030,709

Total Current Liabilities	51,839,920
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Noncurrent Liabilities

Compensated absences - noncurrent portion	1,481,025
Net pension liabilities	124,666,887
Long-term debt - noncurrent portion	332,450,829

Total Noncurrent Liabilities	458,598,741
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TOTAL LIABILITIES	510,438,661
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Deferred Inflow of Resources

Deferred inflow related to pensions	3,289,005
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NET POSITION

Net investment in capital assets	93,659,711
Restricted - expendable	29,745,287
Unrestricted	(24,407,524)

TOTAL NET POSITION	\$ 98,997,474
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The accompanying notes are an integral part of these financial statements.

Kern Community College District

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2017

Operating Revenues	
Tuition and fees	\$ 29,399,628
Less: Scholarship discounts and allowances	19,811,125
Net Tuition and Fees	9,588,503
Grants and contracts - noncapital:	
Federal	4,376,822
State	29,980,650
Local	2,518,872
Auxiliary enterprise sales and charges	1,731,684
Other operating revenue	328,028
Total Operating Revenues	48,524,559
Operating Expenses	
Salaries	95,109,659
Employee benefits	41,048,799
Supplies, materials, and other operating expenses	32,734,180
Utilities	2,666,806
Depreciation	7,945,270
Payments to students	532,766
Total Operating Expenses	180,037,480
Operating Loss	\$ (131,512,921)

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

Kern Community College District

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

(Continued)

Year Ended June 30, 2017

Nonoperating Revenues (Expenses)	
State apportionments - noncapital	\$ 53,878,522
Education protection account revenues - noncapital	18,260,880
Local property taxes - noncapital	51,493,761
State taxes and other revenues - noncapital	7,195,925
Investment income - noncapital	928,111
Financial aid revenues - federal	42,901,508
Financial aid revenues - state	6,041,945
Financial aid disbursements	(48,943,453)
Other nonoperating revenues (expenses) - noncapital	236,880
Total Nonoperating Revenues (Expenses)	131,994,079
Income Before Other Revenues and Expenses	481,158
Other Revenues, Expenses, Gains or Losses	
Local property taxes and revenues - capital	12,754,007
Cost of bond issuance	(254,740)
Investment income - capital	739,939
Interest expense - capital asset-related debt	(14,833,314)
Total Other Revenues, Expenses, Gains or Losses	(1,594,108)
Change in Net Position	(1,112,950)
Net Position - Beginning of Year - As Previously Reported	104,700,035
Prior Period Adjustments	(4,589,611)
Net Position - Beginning of Year - As Restated	100,110,424
Net Position - End of Year	\$ 98,997,474

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

Kern Community College District
STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 5,089,773
Federal grants and contracts	3,653,205
State grants and contracts	40,055,617
Local grants and contracts	2,474,614
Payments to/on behalf of employees	(95,430,985)
Payments for benefits	(32,201,737)
Payments for scholarships and grants	(532,766)
Payments to suppliers	(31,330,695)
Payments for utilities	(2,666,806)
Auxiliary enterprise sales and charges	1,731,684
Other receipts	52,973

NET CASH USED IN OPERATING ACTIVITIES (109,105,123)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments - noncapital	53,878,522
Education protection account revenues	18,260,880
Local property taxes	51,493,761
Financial aid revenues - federal	42,901,508
Financial aid revenues - state	6,041,945
Financial aid disbursements	(48,943,453)
State taxes and other revenues	7,589,839
Other receipts (payments)	236,880

NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES 131,459,882

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Local property taxes - capital	12,754,007
Purchases of capital assets	(13,017,506)
Interest paid on capital debt	(10,839,719)
Interest on investments - capital	739,939
Bond proceeds received	42,974,708
Principal paid on capital debt	(10,559,284)

NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES \$ 22,052,145

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

Kern Community College District

STATEMENT OF CASH FLOWS

(Continued)

Year Ended June 30, 2017

CASH FLOWS FROM INVESTING ACTIVITIES

Sale of investments	\$ 6,740,019
Purchase of investments	(6,724,591)
Interest on investments - noncapital	928,111

NET CASH PROVIDED BY INVESTING ACTIVITIES 943,539**Net Change in Cash and Cash Equivalents** 45,350,443**Cash and Cash Equivalents - Beginning of Year** 166,416,608

Cash and Cash Equivalents - End of Year \$ 211,767,051

COMPONENTS OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents	\$ 104,863,192
Restricted cash and cash equivalents - current	58,301,660
Restricted cash and cash equivalents - noncurrent	48,602,199

TOTAL CASH AND CASH EQUIVALENTS \$ 211,767,051

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

Operating loss	\$ (131,512,921)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	7,945,270
Allowance for doubtful accounts	582,994
Deferred outflow related to pension	(21,190,390)
Net pension liabilities	31,229,398
Deferred inflow related to pension	(5,810,645)
Other postemployment benefit asset	4,618,699
Changes in:	
Accounts receivable	(3,182,108)
Prepaid expenses	(82,259)
Inventories	(3,774)
Accounts payable	437,529
Advances from grantors and students	7,595,459
Compensated absences	147,669
Amounts held in trust for others	119,956

NET CASH USED IN OPERATING ACTIVITIES \$ (109,105,123)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

Exceptions to the accrual basis of accounting are as follows:

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

The budgetary and financial accounts of the District are recorded and maintained in accordance with the *Budget and Accounting Manual* issued by the California Community Colleges Chancellor's Office.

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

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

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

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

Accounts Receivable Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the state of California. Accounts receivable also include amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenses made pursuant to the District's grants and contracts. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. The allowance for uncollectible accounts is calculated by applying certain percentages to each aging group. The allowance was estimated at \$4,576,742 for the year ended June 30, 2017.

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

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

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

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

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

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

Capitalized interest consisted of the following:

June 30, 2017	
Interest incurred	\$ 14,928,742
Less: Amount expensed	14,833,314
Amount to be Capitalized	95,428
Reduced by interest earned	18,254
Capitalized Interest - Net	\$ 77,174

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.

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

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires, if the employee is a member of California Public Employees' Retirement System (CalPERS) or California State Teachers' Retirement System (CalSTRS).

Long-Term Liabilities Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which does not differ materially from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred. Amortization of bond premiums and discount costs was \$943,289 for the year ended June 30, 2017.

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period, which will only be recognized as an outflow of resources (expense) in the future. District pension contributions, subsequent to the measurement date, are reported as deferred outflows of resources in the government-wide statement of net position. District contributions, subsequent to the measurement date, will be amortized during the next fiscal year.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and would only be recognized as an inflow of resources (revenue) at that time.

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

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

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.

Net Position The District's net position is classified as follows:

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

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

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

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

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

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

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

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

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

State Apportionments Certain current-year apportionments from the state are based on various financial and statistical information of the previous year as well as state budgets and other factors outside the District's control. In February, subsequent to the year end, the state will perform a recalculation based on actual financial and statistical information for the year just completed. The District's policy is to estimate the recalculation correction to apportionment, if any, based on factors it can reasonably determine such as local property tax revenue received and reductions in FTES. Any additional corrections determined by the state are recorded in the year computed by the state.

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

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

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

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

On-Behalf Payments GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits, and salaries made by an entity to a third-party recipient for the employees of another, legally separate entity be recognized as revenue and expenses by the employer government. The State of California makes direct on-behalf payments for retirement benefits to CalSTRS and CalPERS on behalf of all community college districts in California. The amount reported in the basic financial statements as of June 30, 2017, was \$902,284.

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

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The cash and cash equivalents are as follows:

June 30, 2017

Cash and cash equivalents	\$ 104,863,192
Restricted cash and cash equivalents	106,903,859
Total Cash and Cash Equivalents	\$ 211,767,051

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

June 30, 2017

Cash in County Treasury	\$ 203,456,782
Cash on hand and in banks	8,310,142
Cash held by trustees	127
Total Deposits	\$ 211,767,051

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, 2017, and the pool is unrated.

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

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

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

All cash held by financial institutions is collateralized by securities that are held by the broker or dealer, or by its trust department or agent, but not in the District's name. In addition, \$1,409,692 of the bank balances at June 30, 2017, are insured.

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

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

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

Fair Value Measurements

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

The District has the following recurring fair value measurements as of June 30, 2017:

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

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

The District's investments are as follows:

June 30, 2017	Level 1	Level 2
County treasury pool	\$ -	\$ 203,456,782
Investments in LAIF	-	899,496
Bank clearing account	425,465	-
Certificates of deposit	2,788,195	-
Money market	99,190	-
Municipal bonds	-	4,728,994
Corporate bonds and notes:		
Communication	-	251,640
Energy	-	301,188
Financial services	-	1,983,257
Healthcare	-	544,325
Utilities	-	103,773
Technology	-	497,427
Other	-	1,801,676
U.S. Government agency securities	3,426,537	-
Total Investments	\$ 6,739,387	\$ 214,568,558

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

Interest Rate Risk

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

1. The implementation of a "ladder" in which bond maturities are staggered evenly over a five-year period. This partially neutralizes interest rate risk by giving the District the flexibility of reinvesting shorter-term securities in higher interest rates (assuming interest rates are moving up) and locking in a portion of the portfolio at higher rates on a longer term basis if interest rates move downward. The overall goal is to provide a more competitive "average" yield on the portfolio as opposed to making directional yield curve projections at various points on the curve.

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

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, 2017	Fair Value	Investment Maturities		
		Less Than One Year	One to Five Years	More Than Five Years
Investment in LAIF	\$ 899,496	\$ 899,496	\$ -	\$ -
Bank clearing account	425,465	425,465	-	-
Certificates of deposit	2,788,195	-	2,788,195	-
Municipal bonds	4,728,994	901,680	3,765,974	61,340
Money market	99,190	99,190	-	-
Corporate bonds and notes	5,483,286	869,859	3,360,815	1,252,612
U.S. Government agency securities	3,426,537	501,700	2,626,496	298,341
Total Investments	\$ 17,851,163	\$ 3,697,390	\$ 12,541,480	\$ 1,612,293

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, 2017	Fair Value	Investment Ratings			
		AAA	AA	A	Unrated
Investment in LAIF	\$ 899,496	\$ -	\$ -	\$ -	\$ 899,496
Bank clearing account	425,465	-	-	-	425,465
Certificates of deposit	2,788,195	2,788,195	-	-	-
Municipal bonds	4,728,994	1,078,659	3,531,072	119,263	-
Money market	99,190	99,190	-	-	-
Corporate bonds and notes	5,483,286	969,661	3,292,155	1,221,470	-
U.S. Government agency securities	3,426,537	3,426,537	-	-	-
Total Investments	\$ 17,851,163	\$ 8,362,242	\$ 6,823,227	\$ 1,340,733	\$ 1,324,961

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.

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

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

Custodial Credit Risk

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

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

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

June 30, 2017	
Tuition and fees	\$ 10,267,020
Less: Allowance for doubtful accounts	4,576,742
Tuition and Fees - Net	5,690,278
Federal grants and contracts	1,658,768
State grants and contracts	466,416
Local grants and contracts	1,360,772
State taxes and other revenues	957,291
Other	2,293,986
Total	\$ 12,427,511

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

4. CAPITAL ASSETS

Capital assets activity is summarized as follows:

	Balance #####	Additions	Deductions	Transfers	Balance June 30, 2017
Nondepreciable Capital Assets					
Land	\$ 19,277,546	\$ -	\$ -	\$ -	\$ 19,277,546
Construction in progress	47,664,841	11,828,351	-	(20,164,521)	39,328,671
Total Nondepreciable Capital Assets	\$ 66,942,387	\$ 11,828,351	\$ -	\$ (20,164,521)	\$ 58,606,217
Depreciable Capital Assets					
Site improvements	\$ 8,000,945	\$ 197,475	\$ -	\$ -	\$ 8,198,420
Joint use facilities agreements	7,448,375	-	-	-	7,448,375
Buildings and improvements	272,013,681	77,713	-	20,164,521	292,255,915
Equipment	20,710,455	1,340,639	-	-	22,051,094
Computer equipment	18,634,742	388,185	-	-	19,022,927
Vehicles	2,779,754	117,489	-	-	2,897,243
Total Depreciable Capital Assets	329,587,952	2,121,501	-	20,164,521	351,873,974
Less: Accumulated depreciation	111,275,865	7,945,270	-	-	119,221,135
Total Depreciable Assets - Net	\$ 218,312,087	\$ (5,823,769)	\$ -	\$ 20,164,521	\$ 232,652,839

5. ACCOUNTS PAYABLE

Accounts payable consisted of the following:

June 30, 2017	
Accrued payroll and related liabilities	\$ 4,716,014
Construction payables	3,396,498
Interest payable	2,549,636
Other	10,046,764
Total	\$ 20,708,912

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

6. LONG-TERM LIABILITIES

The long-term liability activity is as follows:

June 30, 2017	Beginning Balance	Accretion/ Additions	Reductions	Ending Balance	Current Portion
Certificates of participation	\$ 30,928,160	\$ -	\$ 1,335,360	\$ 29,592,800	\$ 1,145,000
Limited obligation improvement bonds	5,210,083	-	76,583	5,133,500	100,000
General obligation improvement bonds	186,740,520	47,814,334	8,861,347	225,693,507	8,695,000
CEC loans	4,753,950	-	294,283	4,459,667	298,645
Other postemployment benefit bonds	79,740,000	-	935,000	78,805,000	995,000
Subtotal	307,372,713	47,814,334	11,502,573	343,684,474	11,233,645
Compensated absences	2,881,120	1,695,433	1,547,764	3,028,789	1,547,764
Net pension liabilities	81,140,433	43,526,454	-	124,666,887	-
Total Long-Term Liabilities	\$ 391,394,266	\$ 93,036,221	\$ 13,050,337	\$ 471,380,150	\$ 12,781,409

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

June 30, 2017

CERTIFICATES OF PARTICIPATION

2016 Refunding Bonds Conversion of 2008 Variable Rate Certificates of Participation issued in the original amount of \$27,285,000. Final maturity in 2033. Interest rates range from 2.00% to 5.00%. \$ 26,165,000

Premium on certificates of participation 3,427,800

CERTIFICATES OF PARTICIPATION - NET **29,592,800**

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%. 5,195,000

Less: Discounts 61,500

LIMITED OBLIGATION IMPROVEMENT BONDS - NET **5,133,500**

Balance Forward **\$ 34,726,300**

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

June 30, 2017

Balance Brought Forward	\$ 34,726,300
GENERAL OBLIGATION BONDS	
Bonds issued in the original amount of \$7,556,642, including current interest bonds and capital appreciation bonds. Final maturity in 2025. Interest rates range from 4.00% to 5.66%.	4,049,682
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%.	1,862,257
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%.	6,477,435
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%.	58,543,029
Bonds issued in the original amount of \$6,985,000, including current interest bonds and capital appreciation bonds. Final maturity in 2026. Interest rates range from 2.00% to 5.50%.	4,695,000
Bonds issued in the original amount of \$54,800,000, including current interest bonds. Final maturity in 2034. Interest rates range from 2.00% to 5.75%.	53,775,000
Bonds issued in the original amount of \$40,035,000, including current interest bonds. Final maturity in 2021. Interest rates range from 0.0281% to 3.193%.	31,985,000
Bonds issued in the original amount of \$14,370,000, including current interest. Final maturity in 2021. Interest rates range from 2.00% to 5.00%.	14,070,000
Bonds issued in the original amount of \$40,225,000, including current interest. Final maturity in 2020. Interest rate of 5.00%.	40,225,000
Subtotal	215,682,403
Premium on general obligation bonds	10,011,104
GENERAL OBLIGATION BONDS - NET	225,693,507
Balance Forward	\$ 260,419,807

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

June 30, 2017

Balance Brought Forward	\$ 260,419,807
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CEC LOAN

Energy Conservation Assistance Loan with a principal amount of \$2,200,000. Final maturity in 2026, with an interest rate of 3.00%. Interest-only payments until June 2013.	1,609,667
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Energy Conservation Assistance Loan with a principal amount of \$3,000,000. Final maturity in 2036, with an interest rate of 0.00%.	2,850,000
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CEC LOANS	4,459,667
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OTHER POSTEMPLOYMENT BENEFIT BONDS

2008 Taxable Other Postemployment Benefit (OPEB) Bonds, Series A, issued in the original amount of \$85,880,000. Final maturity in 2047, with an interest rate of 6.01%.	78,805,000
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Subtotal	343,684,474
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Less: Current portion	11,233,645
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Total Long-Term Liabilities - Noncurrent Portion	\$ 332,450,829
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Accretion

General obligation bonds as of June 30, 2017, have been increased by \$32,006,930 to include accumulated accretion of the capital appreciation bonds. Annual accretion is recognized as interest in the statement of activities.

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

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

Years Ending June 30	Bonds			Bond	
	Principal	Interest	Total	Premium	Total
2018	\$ 11,233,645	\$ 12,398,981	\$ 23,632,626	\$ 943,290	\$ 24,575,916
2019	28,898,138	12,347,309	41,245,447	943,290	42,188,737
2020	31,155,351	11,093,175	42,248,526	1,917,705	44,166,231
2021	18,620,624	10,025,806	28,646,430	1,917,705	30,564,135
2022	14,381,974	9,404,985	23,786,959	1,688,810	25,475,769
2023-2027	42,752,915	73,996,772	116,749,687	3,022,936	119,772,623
2028-2032	37,402,493	71,728,809	109,131,302	2,353,214	111,484,516
2033-2037	71,665,000	20,310,347	91,975,347	590,454	92,565,801
2038-2042	18,035,000	10,636,498	28,671,498	-	28,671,498
2043-2047	24,155,000	4,524,328	28,679,328	-	28,679,328
Total	\$ 298,300,140	\$ 236,467,010	534,767,150	13,377,404	548,144,554
Less: Interest (excluding accretion of \$32,006,930)			(204,460,080)	-	(204,460,080)
Net Principal			\$ 330,307,070	\$ 13,377,404	\$ 343,684,474

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, 2017, were \$31,431.

The future minimum lease payments are as follows:

Years Ending June 30	
2018	\$ 8,484
2019	1,303
2020	1,303
2021	1,303
2022	1,303
Total	\$ 13,696

8. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing multiple-employer defined benefit pension plans maintained by agencies of the state of California. Certificated employees are members of CalSTRS, and classified employees are members of CalPERS.

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

Summary

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

June 30, 2017	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS State Teachers' Retirement Plan	\$ 80,881,000	\$ 20,070,395	\$ 1,973,500	\$ 1,979,288
CalPERS School Employer Pool	43,785,887	14,871,739	1,315,505	2,249,075
Total	\$ 124,666,887	\$ 34,942,134	\$ 3,289,005	\$ 4,228,363

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

California State Teachers' Retirement System

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

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

- **CalSTRS 2% at 60** CalSTRS 2% at 60 members are eligible for normal retirement at age 60 with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirement after age 60 increases with each quarter year of age to 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4% of final compensation.
- **CalSTRS 2% at 62** CalSTRS 2% at 62 members are eligible for normal retirement at age 62 with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4% at age 65 or older.

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

Contributions Required member, employer, and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Active plan members of the CalSTRS 2% at 60 formula are required to contribute 10.25% of their salary. Active plan members of the CalSTRS 2% at 62 formula are required to contribute 9.205% of their salary. The required employer contribution rate for fiscal year 2016-17 was 12.58% of annual payroll. State Teachers' Retirement Law also requires the state to contribute 8.828% of the members' creditable earnings from the fiscal year ending in the prior calendar year. The District's contributions to CalSTRS for the fiscal year ended June 30, 2017, was \$6,603,211.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2017, the District reported a net pension liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District, were as follows:

June 30, 2017

District's proportionate share of the net pension liability	\$ 80,881,000
State's proportionate share of the net pension liability associated with the District	29,343,627
Total	\$ 110,224,627

The District's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2017, the District's proportion was 0.10%.

For the year ended June 30, 2017, the District recognized pension expense of \$902,284 and revenue of \$902,284 for support provided by the state. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	Deferred Inflows Resources
Net difference between projected and actual earnings on pension plan investments	\$ 6,430,000	\$ -
Differences between expected and actual experience	-	1,973,500
Changes in proportion and differences between District contributions and proportionate share of contributions	7,037,184	-
District contributions subsequent to the measurement date	6,603,211	-
Total	\$ 20,070,395	\$ 1,973,500

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

The \$6,603,211 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	
2018	\$ 1,039,834
2019	1,039,834
2020	4,636,834
2021	3,311,084
2022	899,396
Thereafter	566,702
Total	\$ 11,493,684

Actuarial Assumptions The total pension liability in the June 30, 2015, actuarial valuation for CalSTRS was determined using the following actuarial assumptions and applied to all periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.60%
Interest on accounts	4.50%
Wage growth	3.75%
Consumer price inflation	3.00%
Post-retirement benefit increases	2.00% simple

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

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2006, through June 30, 2010.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in 2012 in conjunction with the most recent experience study. For each future valuation, CalSTRS' consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2016, are summarized in the following table:

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

Discount Rate The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assumes that contributions, benefit payments, and administrative expenses occurred midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
June 30, 2017			
District's proportionate share of the net pension liability	\$ 51,376,000	\$ 80,881,000	\$ 116,406,000

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

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

California Public Employees' Retirement System

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

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

Contributions Member contribution rates are defined by law. Employer contribution rates are determined by periodic actuarial valuations. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. Active plan members that met the definition of a new member under the Public Employee's Pension Reform Act are required to contribute 6.00% of their salary. Classic employees are required to contribute 7.00% of their salary. The required employer contribution rate for the 2016-17 fiscal year was 13.888%. The District's contributions to CalPERS for the fiscal year ended June 30, 2017, was \$4,110,431.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2017, the District reported a net pension liability of \$43,785,887 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.2217%.

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

For the year ended June 30, 2017, the District recognized pension expense of \$2,249,075. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	Deferred Inflows Resources
Difference between expected and actual experience	\$ 1,883,213	\$ -
Net difference between projected and actual earnings on pension plan investments	6,794,162	-
Changes in assumptions	-	1,315,505
Changes in proportion and differences between District contributions and proportionate share of contributions	2,083,933	-
District contributions subsequent to the measurement date	4,110,431	-
Total	\$ 14,871,739	\$ 1,315,505

The \$4,110,431 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30

2018	\$ 1,954,925
2019	1,929,521
2020	3,788,140
2021	1,773,217
Total	\$ 9,445,803

Actuarial Assumptions The total pension liability in the June 30, 2015, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries, Scale BB.

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

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Target Allocation	Rate of Return	
		Years 1 - 10	Years 11+
Global equity	51%	5.25%	5.71%
Global debt securities	20%	0.99%	2.43%
Inflation assets	6%	0.45%	3.36%
Private equity	10%	6.83%	6.95%
Real estate	10%	4.50%	5.13%
Infrastructure and forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%
Total	100%		

Discount Rate The discount rates used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate, the amortization and smoothing periods recently adopted by the CalPERS Board were used. Projections of expected benefit payments and contributions were performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

June 30, 2017	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 25,847,183	\$ 43,785,887	\$ 65,328,787

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

9. STATE AND FEDERAL ALLOWANCES, AWARDS, AND GRANTS

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

10. RISK MANAGEMENT

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

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

The District has recorded no excess insurance reserves being held by SISC as of June 30, 2017.

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

Plan Description

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

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

Currently, the District has 809 active full-time employees who are eligible for postemployment health benefits and 477 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.

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

Annual OPEB Cost and Net OPEB Asset

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 asset to the Plan:

June 30, 2017

Annual required contribution	\$	3,347,520
Adjustment to annual required contribution		2,569,656
Annual OPEB Cost		5,917,176
Contributions		(1,298,477)
Change in Net OPEB Asset		4,618,699
Decrease: Net OPEB Asset - Beginning of Year		45,990,800
Net OPEB Asset - End of Year	\$	41,372,101

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

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net Ending OPEB Asset
June 30, 2015	\$ 5,522,564	\$ -	0.00%	\$ 51,513,364
June 30, 2016	\$ 5,522,564	\$ -	0.00%	\$ 45,990,800
June 30, 2017	\$ 5,917,176	\$ 1,298,477	21.94%	\$ 41,372,101

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.

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

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

In the July 2016 actuarial valuation, the entry-age normal cost method was used. The actuarial assumptions included a 6.0% discount rate based on the assumption that a substantial portion of the ARC is funded. A 2.75% price inflation and a 2.75% wage inflation assumption was used as well as an annual cost trend rate of 4.0%. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are a level percent of payroll over a 30-year period.

Condensed OPEB Trust Financial Statements

The financial information for the OPEB Trust is presented below.

Statement of Net Assets Available for Benefits

June 30, 2017

Assets	
Cash and cash equivalents	\$ 1,427,088
Interest receivable	166,098
Long-term investments	68,784,656
Total Assets	70,377,842
Liabilities	
Benefits payable	1,404,950
Net Assets Available for Benefits	\$ 68,972,892

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

Statement of Changes in Net Assets Available for Benefits

June 30, 2017

Additions	
Contributions	\$ 1,298,477
Investment income:	
Net realized and unrealized gains in investments	1,647,633
Dividends and interest	2,303,418
Total Additions	3,951,051
Deductions	
Benefits paid	6,736,075
Net Decrease	(1,486,547)
Net Assets Available for Benefits - Beginning of Year	70,459,439
Net Assets Available for Benefits - End of Year	\$ 68,972,892

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 accounting principles generally accepted in the United States of America requires management to make various estimates. Actual results could differ from those estimates.

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

12. COMMITMENTS

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

June 30, 2017

Bakersfield College Maintenance and Operations Building	\$	747,042
Weill Replacement Phase 1 and 2		117,795
District Wide Security Assess Hardware		381,152
Cerro Coso Main Building Modernization		15,297,089
ESCC Mammoth Center Modernization		2,731,109
Other		82,464
Total	\$	19,356,651

13. FUTURE GASB IMPLEMENTATION

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB Statement No. 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2017, will have on the District's financial statements, if any.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This statement addresses practice issues that have been identified during implementation and application of certain GASB statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. It addresses timing of the measurement of pension or OPEB liabilities and expenses recognized, recognizing on-behalf payments for pensions of OPEB, presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB, and accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2017, will have on the District's financial statements, if any.

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

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2017, will have on the District's financial statements, if any.

14. PRIOR-PERIOD ADJUSTMENTS

Prior-period adjustments net position in the statement of net position as of July 1, 2016, decreased by \$4,589,611 as a result of the following. First, an understatement of net pension liability of \$12,297,056 and deferred outflows of resources of \$3,584,575 and an offsetting overstatement of deferred inflows of resources of \$3,584,575 resulting in a net prior-period adjustment as of June 30, 2016, of \$5,127,906. This adjustment has no effect on revenue or expenses during the 2016-17 fiscal year, but increased expenses in the statement of activities by \$888,182 during the 2015-16 fiscal year and by \$4,239,724 during the 2014-15 fiscal year, respectively. Second, an overstatement of accumulated depreciation of \$1,971,882 as of June 30, 2016. This adjustment has no effect on revenue or expenses during the 2016-17 fiscal year, but increased expenses in the statement of activities by \$1,971,882 during the 2015-16 fiscal year. Lastly, an understatement of payroll liabilities of \$1,433,587 as of June 30, 2016. This adjustment has no effect on revenue or expenses during the 2016-17 fiscal year, but increased expenses in the statement of activities by \$1,433,587 during the 2015-16 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Kern Community College District

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Dates	June 30, 2012	July 1, 2014	July 1, 2016
Actuarial accrued liability (AAL)	\$ 89,874,408	\$ 79,171,854	\$ 87,677,250
Actuarial value of plan assets	87,973,160	82,494,253	59,749,289
Unfunded Actuarial Accrued Liability (UAAL)	\$ (1,901,248)	\$ 3,322,399	\$ (27,927,961)
Funded ratio (actuarial value of plan assets/AAL)	97.88%	104.20%	68.15%
Covered payroll (active members)	\$ 48,401,148	\$ 63,952,251	\$ 27,870,768
UAAL as a percentage of covered payroll	-3.93%	5.20%	-100.21%

See the accompanying notes to the required supplementary information.

Kern Community College District**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**

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

See the accompanying notes to the required supplementary information.

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

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

See the accompanying notes to the required supplementary information.

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

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

See the accompanying notes to the required supplementary information.

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

Years Ended June 30	2017		2016		2015	
Contractually required contribution	\$	4,110,431	\$	3,156,486	\$	2,725,027
Contributions in relation to the contractually required contribution		(4,110,431)		(3,156,486)		(2,725,027)
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	29,610,250	\$	26,528,654	\$	23,164,222
Contributions as a percentage of covered-employee payroll		13.88%		11.90%		11.76%

See the accompanying notes to the required supplementary information.

1. SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

This schedule provides trend information for the other postemployment benefits plan of the District, displaying actuarial accrued liability, actuarial value of plan assets, and covered payroll for the most recent valuation study and the preceding two studies.

2. CHANGES OF BENEFIT TERMS

California State Teachers' Retirement System

There were no significant changes of benefit terms during the measurement period ended June 30, 2016.

California Public Employees' Retirement System

There were no significant changes of benefit terms during the measurement period ended June 30, 2016.

3. CHANGES OF ASSUMPTIONS

California State Teachers' Retirement System

There were no changes in major assumptions during the measurement period ended June 30, 2016.

California Public Employees' Retirement System

There were no changes in major assumptions during the measurement period ended June 30, 2016.

OTHER SUPPLEMENTARY INFORMATION SECTION

Kern Community College District

ORGANIZATION STRUCTURE

June 30, 2017

BOARD OF TRUSTEES

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

ADMINISTRATION

Mr. Thomas J. Burke
Chancellor

Ms. Deborah Martin
Interim Chief Financial Officer

Mr. Gary Moser
Chief Information Officer

Mr. Tonya Davis
Vice Chancellor, Human Resources

Mr. John Means
Vice Chancellor, Educational Services

Mr. Christopher Hine
General Counsel

Kern Community College District
 SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT ANNUAL ATTENDANCE
 June 30, 2017

The full-time equivalent resident students (FTES) eligible for 2016-17 state apportionment reported to the state of California are summarized below:

	Reported Data
Summer Intersession (Summer 2016 Only)	
Noncredit	3.48
Credit	636.37
Summer Intersession (Summer 2017 - Prior to July 1, 2017)	
Noncredit	-
Credit	1,826.88
Primary Terms (Exclusive of Summer Intersession)	
Census Procedure Courses:	
Weekly Census Contact Hours	13,487.07
Daily Census Contact Hours	775.56
Actual Hours of Attendance Procedure Courses:	
Noncredit	70.76
Credit	2,161.22
Alternative Attendance Accounting Procedure:	
Weekly Census Contact Hours	2,316.38
Daily Census Contact Hours	450.80
Noncredit Independent Study/Distance Education Courses	-
Total FTES	21,728.52
Subtotal Credit FTES	21,654.28
Subtotal Noncredit FTES	74.24
SUPPLEMENTARY INFORMATION (Subset of Above Information)	
IN-SERVICE TRAINING COURSES (FTES)	347.84
Basic Skills Courses and Immigrant Education	
Noncredit	80.57
Credit	2,264.15
Centers FTES	
Noncredit	4.44
Credit	5,652.50

See the accompanying notes to the supplementary information.

Kern Community College District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through/ Grantor Number	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education			
Child Care Food Program	04352-CACFP-15-CC-CS	10.555	\$ 173,885
Headstart	09HP0036/01	93.600	159,036
Total Passed Through California Department of Education			332,921
National Resources Conservation Services		20.215	7,500
Research Subaward		20.215	12,504
TOTAL U.S. DEPARTMENT OF AGRICULTURE			352,925
U.S. DEPARTMENT OF LABOR			
Workforce Investment Act Adult Programs		17.258	47,322
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Work-Study Program		84.033	620,327
Federal Pell Grant Program		84.063	39,384,282
Federal Supplemental Education Opportunity Grant		84.007	651,485
Federal Direct Student Loans		84.268	2,888,953
Total Student Financial Assistance Cluster			43,545,047
Project Workability Bakersfield		84.243	175,368
Passed Through Chancellor's Office			
Career and Technical Education - Basic Grants to States	13-112-520 & 13-C01-023	84.048	996,449
Title III - Higher Education Institutional Aid	P03C110073, P03C110009, GRA-1834	84.031	693,276
Title V - Higher Education Institutional Aid	P031S150010	84.031	590,608
TOTAL U.S. DEPARTMENT OF EDUCATION			46,000,748
NATIONAL SCIENCE FOUNDATION			
Education and Human Resources		47.076	112,412
U.S. DEPARTMENT OF TRANSPORTATION			
Training and Education		20.215	30,000
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Education			
General Center - Child Care	CCTR3054	93.596	273,236
Passed Through Center for Disease Control			
Partnership to Improve Community Health	6NU58DP005678-0102	93.331	15,359
Passed Through Chancellor's Office			
Child, Family, and Community Services - Foster Care - Title IV-E	10-2010	93.658	54,249
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			342,844
Total Expenditures of Federal Awards			\$ 46,886,251

See the accompanying notes to the supplementary information.

Kern Community College District
SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended June 30, 2017

	Program Revenues			
	Cash Received	Accounts Receivable	Deferred Revenue	Total
Extended Opportunity Programs and Services	\$ 2,649,555	\$ -	\$ -	\$ 2,649,555
CalGrants	5,419,518	23,883	-	5,443,401
Disabled Student Programs and Services	1,995,782	-	-	1,995,782
CalWORKS	604,814	-	-	604,814
Matriculation	6,247,317	-	-	6,247,317
Foster Parent	50,525	56,891	-	107,416
Project Care	433,435	-	(3,618)	429,817
BFAP	1,040,427	-	-	1,040,427
CTE Collaborative Projects	2,890,297	-	(2,437,183)	453,114
PC Development Center	83,889	-	-	83,889
Basic Skills	1,109,147	104,851	(460,478)	753,520
Enrollment Growth for Nursing	-	-	-	-
Prop 39 Clean Energy Workforce	1,256,553	3,358	(299,106)	960,805
College Promise	1,500,000	-	(1,473,817)	26,183
Full Time Student Success Grant	1,320,225	-	(372,415)	947,810
Strong Workforce Program	2,500,947	-	(2,109,037)	391,910
SB10-70 Central Valley	40,595	935,503	-	976,098
AEBG Data and Accountability	771,484	-	(707,688)	63,796
Other State Grants	10,996,890	459,342	(5,295,465)	6,160,767
All other categorical	8,838,210	440,250	(103,295)	9,175,165
Total State Programs	\$ 49,749,610	\$ 2,024,078	\$ (13,262,102)	\$ 38,511,586

See the accompanying notes to the supplementary information.

Kern Community College District

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

WITH AUDITED FINANCIAL STATEMENTS

June 30, 2017

	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
June 30, 2017 - Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 74,533,667	\$ 19,395,357	\$ 16,122,504	\$ 54,598	\$ 110,106,126
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District adjustments	(337,543)	-	-	-	(337,543)
Reclassification of amounts held for others	-	-	-	-	-
Rounding	-	2	2	-	4
Net Adjustments and Reclassifications	(337,543)	2	2	-	(337,539)
June 30, 2017 - District Accounting Records Fund Balance	\$ 74,196,124	\$ 19,395,359	\$ 16,122,506	\$ 54,598	\$ 109,768,587

	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Bookstore Fund	Balance Forward
June 30, 2017 - Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 110,106,126	\$ 76,220	\$ 96,568,510	\$ -	\$ 206,750,856
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District adjustments	(337,543)	-	(224,858)	-	(562,401)
Reclassification of amounts held for others	-	-	-	-	-
Rounding	4	-	-	-	4
Net Adjustments and Reclassifications	(337,539)	-	(224,858)	-	(562,397)
June 30, 2017 - District Accounting Records Fund Balance	\$ 109,768,587	\$ 76,220	\$ 96,343,652	\$ -	\$ 206,188,459

See the accompanying notes to the supplementary information.

Kern Community College District

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

WITH AUDITED FINANCIAL STATEMENTS

June 30, 2017

(Continued)

	Balance Brought Forward	Cafeteria Fund	Student Financial Aid Fund	Other Trust Fund	Balance Forward
June 30, 2017 - Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 206,750,856	\$ 688,952	\$ -	\$ 900	\$ 207,440,708
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District adjustments	(562,401)	-	-	-	(562,401)
Reclassification of amounts held for others	-	-	-	-	-
Rounding	4	(2)	-	12	14
Net Adjustments and Reclassifications	(562,397)	(2)	-	12	(562,387)
June 30, 2017 - District Accounting Records Fund Balance	\$ 206,188,459	\$ 688,950	\$ -	\$ 912	\$ 206,878,321

	Balance Brought Forward	Associated Students Trust Fund	Student Representation Fee Trust Fund	Student Body Center Fee Trust Fund	Total
June 30, 2017 - Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 207,440,708	\$ 311,773	\$ 74,047	\$ 541,345	\$ 208,367,873
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District adjustments	(562,401)	-	-	-	(562,401)
Reclassification of amounts held for others	-	(311,773)	(74,047)	(541,345)	(927,165)
Rounding	14	-	-	-	14
Net Adjustments and Reclassifications	(562,387)	(311,773)	(74,047)	(541,345)	(1,489,552)
June 30, 2017 - District Accounting Records Fund Balance	\$ 206,878,321	\$ -	\$ -	\$ -	\$ 206,878,321

See the accompanying notes to the supplementary information.

Kern Community College District
RECONCILIATION OF 50% LAW CALCULATION
June 30, 2017

	Object Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
ACADEMIC SALARIES							
Instructional Salaries							
Contract or regular	1100	\$ 31,673,482	\$ -	\$ 31,673,482	\$ 31,824,935	\$ -	\$ 31,824,935
Other	1300	11,238,746	-	11,238,746	11,252,069	-	11,252,069
Total Instructional Salaries		42,912,228	-	42,912,228	43,077,004	-	43,077,004
Noninstructional Salaries							
Contract or regular	1200	-	-	-	9,280,844	-	9,280,844
Other	1400	-	-	-	361,853	-	361,853
Total Noninstructional Salaries		-	-	-	9,642,697	-	9,642,697
TOTAL ACADEMIC SALARIES		42,912,228	-	42,912,228	52,719,701	-	52,719,701
CLASSIFIED SALARIES							
Noninstructional Salaries							
Regular status	2100	-	-	-	18,242,769	-	18,242,769
Other	2300	-	-	-	741,193	-	741,193
Total Noninstructional Salaries		-	-	-	18,983,962	-	18,983,962
Instructional Aides							
Regular status	2200	545,749	-	545,749	600,320	-	600,320
Other	2400	1,408,546	-	1,408,546	1,420,465	-	1,420,465
Total Instructional Aides		1,954,295	-	1,954,295	2,020,785	-	2,020,785
TOTAL CLASSIFIED SALARIES		1,954,295	-	1,954,295	21,004,747	-	21,004,747
Other							
Employee benefits	3000	13,019,834	-	13,019,834	24,748,510	-	24,748,510
Supplies and materials	4000	-	-	-	1,645,531	-	1,645,531
Other operating expenses	5000	226,096	-	226,096	13,865,006	-	13,865,006
Equipment replacement	6420	-	-	-	33,862	-	33,862
Total Other		13,245,930	-	13,245,930	40,292,909	-	40,292,909
Total Expenditures Prior to Exclusions		\$ 58,112,453	\$ -	\$ 58,112,453	\$ 114,017,357	\$ -	\$ 114,017,357

See the accompanying notes to the supplementary information.

Kern Community College District
RECONCILIATION OF 50% LAW CALCULATION
 June 30, 2017
 (Continued)

	Object Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
EXCLUSIONS							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	\$ 1,031,496	\$ -	\$ 1,031,496	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	3,186	-	3,186
Noninstructional Staff Retirees' Benefits and Retirement Incentives	6740	-	-	-	121,319	-	121,319
Total Instructional Salaries		1,031,496	-	1,031,496	124,505	-	124,505
Objects to Exclude							
Rents and leases	5060	-	-	-	1,048,884	-	1,048,884
Lottery expenditures:							
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
Subtotal		-	-	-	1,048,884	-	1,048,884
Supplies and materials:	4000						
Software	4100	-	-	-	-	-	-
Books, magazines, and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	479,903	-	479,903
Noninstructional supplies and materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	479,903	-	479,903
Other operating expenses and services	5000	-	-	-	2,181,050	-	2,181,050
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Subtotal		-	-	-	2,181,050	-	2,181,050
TOTAL EXCLUSIONS		1,031,496	-	1,031,496	3,834,342	-	3,834,342
Total for ECS 84362 - 50% Law		\$ 57,080,957	\$ -	\$ 57,080,957	\$ 110,183,015	\$ -	\$ 110,183,015
Percentage of CEE (Instructional Salary Cost/Total CEE)		51.81%	0.00%	51.81%			
50% of Current Expense of Education					\$ 55,091,510	\$ -	\$ 55,091,510

See the accompanying notes to the supplementary information.

Kern Community College District
RECONCILIATION OF EDUCATION PROTECTION
ACCOUNT EXPENDITURES
 June 30, 2017

	Object Code	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
EPA Proceeds	8630			\$	18,260,880
Activity Classification					
Instructional activities	0100-5900	\$ 18,260,880	\$ -	\$ -	18,260,880
Total Expenditures for EPA		\$ 18,260,880	\$ -	\$ -	18,260,880
Total Revenue Less Expenditures				\$	-

See the accompanying notes to the supplementary information.

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

June 30, 2017	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 93,754,617	\$ -	\$ (1,783,812)	\$ 514,956	\$ 92,485,761
Restricted cash and cash equivalents - current	-	-	-	-	-
Accounts receivable - net	10,016,375	1,181,699	50,358	65,492	11,313,924
Prepaid expenses	432,873	-	-	3,509	436,382
Inventories	-	-	-	-	-
Due from other funds	-	6,736	4,797	-	11,533
Total Current Assets	104,203,865	1,188,435	(1,728,657)	583,957	104,247,600
Noncurrent Assets					
Restricted cash and cash equivalents - noncurrent	-	18,211,721	-	-	18,211,721
Restricted investments	-	-	17,851,163	-	17,851,163
Capital assets - net	382,053	-	-	-	382,053
Total Noncurrent Assets	382,053	18,211,721	17,851,163	-	36,444,937
TOTAL ASSETS	\$ 104,585,918	\$ 19,400,156	\$ 16,122,506	\$ 583,957	\$ 140,692,537
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 14,089,731	\$ -	\$ -	\$ 170,048	\$ 14,259,779
Advances from grantors and students	16,300,063	-	-	359,311	16,659,374
Due to other funds	-	4,797	-	-	4,797
Amounts held in trust for others	-	-	-	-	-
Total Liabilities	30,389,794	4,797	-	529,359	30,923,950
Fund Equity					
Fund balances:					
Reserved for debt service	-	19,395,359	16,122,506	-	35,517,865
Reserved for special purposes	-	-	-	54,598	54,598
Unreserved:					
Undesignated	74,196,124	-	-	-	74,196,124
Total Fund Equity	74,196,124	19,395,359	16,122,506	54,598	109,768,587
TOTAL LIABILITIES AND FUND EQUITY	\$ 104,585,918	\$ 19,400,156	\$ 16,122,506	\$ 583,957	\$ 140,692,537

See the accompanying notes to the supplementary information.

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

June 30, 2017	Balance Brought Forward	Special Revenue Fund	Outlay Projects Fund	Bookstore Fund	Balance Forward
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 92,485,761	\$ 188,141	\$ -	\$ -	\$ 92,673,902
Restricted cash and cash equivalents - current	-	-	99,287,059	-	99,287,059
Accounts receivable - net	11,313,924	-	155,536	-	11,469,460
Prepaid expenses	436,382	-	-	-	436,382
Inventories	-	-	-	-	-
Due from other funds	11,533	-	-	-	11,533
Total Current Assets	104,247,600	188,141	99,442,595	-	203,878,336
Noncurrent Assets					
Restricted cash and cash equivalents - noncurrent	18,211,721	-	-	-	18,211,721
Restricted investments	17,851,163	-	-	-	17,851,163
Capital assets - net	382,053	-	-	-	382,053
Total Noncurrent Assets	36,444,937	-	-	-	36,444,937
TOTAL ASSETS	\$ 140,692,537	\$ 188,141	\$ 99,442,595	\$ -	\$ 240,323,273
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 14,259,779	\$ 111,921	\$ 3,092,207	\$ -	\$ 17,463,907
Advances from grantors and students	16,659,374	-	-	-	16,659,374
Due to other funds	4,797	-	6,736	-	11,533
Amounts held in trust for others	-	-	-	-	-
Total Liabilities	30,923,950	111,921	3,098,943	-	34,134,814
Fund Equity					
Fund balances:					
Reserved for debt service	35,517,865	-	-	-	35,517,865
Reserved for special purposes	54,598	76,220	96,343,652	-	96,474,470
Unreserved:					
Undesignated	74,196,124	-	-	-	74,196,124
Total Fund Equity	109,768,587	76,220	96,343,652	-	206,188,459
TOTAL LIABILITIES AND FUND EQUITY	\$ 140,692,537	\$ 188,141	\$ 99,442,595	\$ -	\$ 240,323,273

See the accompanying notes to the supplementary information.

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

June 30, 2017	Balance Brought Forward	Cafeteria Fund	Student Financial Aid Fund	Balance Forward
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 92,673,902	\$ 640,023	\$ 59,193	\$ 93,373,118
Restricted cash and cash equivalents - current	99,287,059	-	-	99,287,059
Accounts receivable - net	11,469,460	77,678	-	11,547,138
Prepaid expenses	436,382	-	-	436,382
Inventories	-	25,730	-	25,730
Due from other funds	11,533	-	-	11,533
Total Current Assets	203,878,336	743,431	59,193	204,680,960
Noncurrent Assets				
Restricted cash and cash equivalents - noncurrent	18,211,721	-	-	18,211,721
Restricted investments	17,851,163	-	-	17,851,163
Capital assets - net	382,053	-	-	382,053
Total Noncurrent Assets	36,444,937	-	-	36,444,937
TOTAL ASSETS	\$ 240,323,273	\$ 743,431	\$ 59,193	\$ 241,125,897
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable	\$ 17,463,907	\$ 54,481	-	\$ 17,518,388
Advances from grantors and students	16,659,374	-	59,193	16,718,567
Due to other funds	11,533	-	-	11,533
Amounts held in trust for others	-	-	-	-
Total Liabilities	34,134,814	54,481	59,193	34,248,488
Fund Equity				
Fund balances:				
Reserved for debt service	35,517,865	-	-	35,517,865
Reserved for special purposes	96,474,470	688,950	-	97,163,420
Unreserved:				
Undesignated	74,196,124	-	-	74,196,124
Total Fund Equity	206,188,459	688,950	-	206,877,409
TOTAL LIABILITIES AND FUND EQUITY	\$ 240,323,273	\$ 743,431	\$ 59,193	\$ 241,125,897

See the accompanying notes to the supplementary information.

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

June 30, 2017	Balance Brought Forward	Other Trust Fund	Associated Students Trust Fund	Student Representation Fee Trust Fund	Balance Forward
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 93,373,118	\$ (375,024)	\$ -	-	\$ 92,998,094
Restricted cash and cash equivalents - current	99,287,059	-	521,374	95,249	99,903,682
Accounts receivable - net	11,547,138	809,473	70,900	-	12,427,511
Prepaid expenses	436,382	-	-	-	436,382
Inventories	25,730	-	-	-	25,730
Due from other funds	11,533	-	-	-	11,533
Total Current Assets	204,680,960	434,449	592,274	95,249	205,802,932
Noncurrent Assets					
Restricted cash and cash equivalents - noncurrent	18,211,721	-	-	-	18,211,721
Restricted investments	17,851,163	-	-	-	17,851,163
Capital assets - net	382,053	-	-	-	382,053
Total Noncurrent Assets	36,444,937	-	-	-	36,444,937
TOTAL ASSETS	\$ 241,125,897	\$ 434,449	\$ 592,274	\$ 95,249	\$ 242,247,869
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 17,518,388	\$ 61,122	\$ 77,456	\$ 634	\$ 17,657,600
Advances from grantors and students	16,718,567	372,415	99,502	20,567	17,211,051
Due to other funds	11,533	-	-	-	11,533
Amounts held in trust for others	-	-	415,316	74,048	489,364
Total Liabilities	34,248,488	433,537	592,274	95,249	35,369,548
Fund Equity					
Fund balances:					
Reserved for debt service	35,517,865	-	-	-	35,517,865
Reserved for special purposes	97,163,420	912	-	-	97,164,332
Unreserved:					
Undesignated	74,196,124	-	-	-	74,196,124
Total Fund Equity	206,877,409	912	-	-	206,878,321
TOTAL LIABILITIES AND FUND EQUITY	\$ 241,125,897	\$ 434,449	\$ 592,274	\$ 95,249	\$ 242,247,869

See the accompanying notes to the supplementary information.

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

June 30, 2017	Balance Brought Forward	Student Body Center Fee Trust Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 92,998,094	\$ -	\$ 92,998,094
Restricted cash and cash equivalents - current	99,903,682	-	99,903,682
Accounts receivable - net	12,427,511	-	12,427,511
Prepaid expenses	436,382	-	436,382
Inventories	25,730	-	25,730
Due from other funds	11,533	-	11,533
Total Current Assets	205,802,932	-	205,802,932
Noncurrent Assets			
Restricted cash and cash equivalents - noncurrent	18,211,721	653,554	18,865,275
Restricted investments	17,851,163	-	17,851,163
Capital assets - net	382,053	-	382,053
Total Noncurrent Assets	36,444,937	653,554	37,098,491
TOTAL ASSETS	\$ 242,247,869	\$ 653,554	\$ 242,901,423
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts payable	\$ 17,657,600	\$ 4,370	\$ 17,661,970
Advances from grantors and students	17,211,051	107,839	17,318,890
Due to other funds	11,533	-	11,533
Amounts held in trust for others	489,364	541,345	1,030,709
Total Liabilities	35,369,548	653,554	36,023,102
Fund Equity			
Fund balances:			
Reserved for debt service	35,517,865	-	35,517,865
Reserved for special purposes	97,164,332	-	97,164,332
Unreserved:			
Undesignated	74,196,124	-	74,196,124
Total Fund Equity	206,878,321	-	206,878,321
TOTAL LIABILITIES AND FUND EQUITY	\$ 242,247,869	\$ 653,554	\$ 242,901,423

See the accompanying notes to the supplementary information.

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

Year Ended June 30, 2017	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
Operating Revenues					
Tuition and fees	\$ 29,291,296	\$ -	\$ -	\$ -	29,291,296
Less: Scholarship discount and allowance	19,811,125	-	-	-	19,811,125
Net Tuition and Fees	9,480,171	-	-	-	9,480,171
Grants and contracts - noncapital:					
Federal	4,217,786	-	-	159,036	4,376,822
State	28,429,740	-	-	1,550,910	29,980,650
Local	2,254,418	-	-	-	2,254,418
Auxiliary enterprise sales and charges	58,592	-	-	21,876	80,468
Other operating revenues	118,570	-	-	23,994	142,564
Total Operating Revenues	44,559,277	-	-	1,755,816	46,315,093
Operating Expenditures/Expenses					
Salaries	92,018,407	-	-	1,781,628	93,800,035
Employee benefits	30,934,858	-	-	755,589	31,690,447
Supplies, materials, and other operating expenditures	23,179,894	(2,582,897)	5,686	244,121	20,846,804
Capital outlay	3,330,000	-	-	11,997	3,341,997
Utilities	2,630,297	-	-	36,509	2,666,806
Depreciation	24,837	-	-	-	24,837
Payments to students	532,766	-	-	-	532,766
Total Operating Expenditures/Expenses	152,651,059	(2,582,897)	5,686	2,829,844	152,903,692
Operating Income (Loss)	(108,091,782)	2,582,897	(5,686)	(1,074,028)	(106,588,599)
Nonoperating Revenues (Expenditures)					
State apportionments - noncapital	53,878,522	-	-	-	53,878,522
Education protection account revenues	18,260,880	-	-	-	18,260,880
Local property taxes - noncapital	51,493,761	-	-	-	51,493,761
State taxes and other revenues - noncapital	7,195,925	-	-	-	7,195,925
Investment income - noncapital	928,111	-	-	-	928,111
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid disbursements	-	-	-	-	-
Other nonoperating revenues/expenditures	(225,471)	-	(2,618,499)	447,121	(2,396,849)
Total Nonoperating Revenues (Expenditures)	131,531,728	-	(2,618,499)	447,121	129,360,350
Income (Loss) Before Other Revenues and Expenditures/Expenses	23,439,946	2,582,897	(2,624,185)	(626,907)	22,771,751
Other Revenues and Expenditures					
Local property taxes and revenues - capital	-	12,754,007	-	-	12,754,007
Investment income - capital	-	146,515	(10,438)	-	136,077
Excess of Revenues Over (Under) Expenditures/Expenses	23,439,946	15,483,419	(2,634,623)	(626,907)	35,661,835
Other Financing Sources (Uses)					
Bond proceeds	-	3,229,448	-	-	3,229,448
Cost of bond issuance	-	(254,740)	-	-	(254,740)
Operating transfers in	432,074	-	1,147,497	625,507	2,205,078
Operating transfers out	(8,606,269)	-	-	-	(8,606,269)
Debt service	(6,073,135)	(15,403,582)	-	-	(21,476,717)
Total Other Financing Sources (Uses)	(14,247,330)	(12,428,874)	1,147,497	625,507	(24,903,200)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	9,192,616	3,054,545	(1,487,126)	(1,400)	10,758,635
Fund Equity - Beginning of Year, As Restated	65,003,508	16,340,814	17,609,632	55,998	99,009,952
Fund Equity - End of Year	\$ 74,196,124	\$ 19,395,359	\$ 16,122,506	\$ 54,598	\$ 109,768,587

See the accompanying notes to the supplementary information.

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

Year Ended June 30, 2017	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Bookstore Fund	Balance Forward
Operating Revenues					
Tuition and fees	\$ 29,291,296	\$ -	\$ 108,332	\$ -	\$ 29,399,628
Less: Scholarship discount and allowance	19,811,125	-	-	-	19,811,125
Net Tuition and Fees	9,480,171	-	108,332	-	9,588,503
Grants and contracts - noncapital:					
Federal	4,376,822	-	-	-	4,376,822
State	29,980,650	-	-	-	29,980,650
Local	2,254,418	-	264,454	-	2,518,872
Auxiliary enterprise sales and charges	80,468	-	-	-	80,468
Other operating revenues	142,564	-	-	-	142,564
Total Operating Revenues	46,315,093	-	372,786	-	46,687,879
Operating Expenditures/Expenses					
Salaries	93,800,035	-	610,113	-	94,410,148
Employee benefits	31,690,447	-	241,022	-	31,931,469
Supplies, materials, and other operating expenditures	20,846,804	171,650.00	2,313,204	-	23,331,658
Capital outlay	3,341,997	-	16,951,244	-	20,293,241
Utilities	2,666,806	-	-	-	2,666,806
Depreciation	24,837	-	-	-	24,837
Payments to students	532,766	-	-	-	532,766
Total Operating Expenditures/Expenses	152,903,692	171,650	20,115,583	-	173,190,925
Operating Income (Loss)	(106,588,599)	(171,650)	(19,742,797)	-	(126,503,046)
Nonoperating Revenues (Expenditures)					
State apportionments - noncapital	53,878,522	-	-	-	53,878,522
Education protection account revenues	18,260,880	-	-	-	18,260,880
Local property taxes - noncapital	51,493,761	-	-	-	51,493,761
State taxes and other revenues - noncapital	7,195,925	-	-	-	7,195,925
Investment income - noncapital	928,111	-	-	-	928,111
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid disbursements	-	-	-	-	-
Other nonoperating revenues/expenditures	(2,396,849)	-	15,230	-	(2,381,619)
Total Nonoperating Revenues (Expenditures)	129,360,350	-	15,230	-	129,375,580
Income (Loss) Before Other Revenues and Expenditures/Expenses	22,771,751	(171,650)	(19,727,567)	-	2,872,534
Other Revenues and Expenditures					
Local property taxes and revenues - capital	12,754,007	-	-	-	12,754,007
Investment income - capital	136,077	-	603,862	-	739,939
Excess of Revenues Over (Under) Expenditures/Expenses	35,661,835	(171,650)	(19,123,705)	-	16,366,480
Other Financing Sources (Uses)					
Bond proceeds	3,229,448	-	40,000,000	-	43,229,448
Cost of bond issuance	(254,740)	-	-	-	(254,740)
Operating transfers in	2,205,078	173,457	7,000,978	-	9,379,513
Operating transfers out	(8,606,269)	-	(757,100)	-	(9,363,369)
Debt service	(21,476,717)	-	-	-	(21,476,717)
Total Other Financing Sources (Uses)	(24,903,200)	173,457	46,243,878	-	21,514,135
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	10,758,635	1,807	27,120,173	-	37,880,615
Fund Equity - Beginning of Year, As Restated	99,009,952	74,413	69,223,479	-	168,307,844
Fund Equity - End of Year	\$ 109,768,587	\$ 76,220	\$ 96,343,652	\$ -	\$ 206,188,459

See the accompanying notes to the supplementary information.

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

Year Ended June 30, 2017	Balance Brought Forward	Cafeteria Fund	Student Financial Aid Fund	Balance Forward
Operating Revenues				
Tuition and fees	\$ 29,399,628	\$ -	\$ -	\$ 29,399,628
Less: Scholarship discount and allowance	19,811,125	-	-	19,811,125
Net Tuition and Fees	9,588,503	-	-	9,588,503
Grants and contracts - noncapital:				
Federal	4,376,822	-	-	4,376,822
State	29,980,650	-	-	29,980,650
Local	2,518,872	-	-	2,518,872
Auxiliary enterprise sales and charges	80,468	1,651,216	-	1,731,684
Other operating revenues	142,564	185,464	-	328,028
Total Operating Revenues	46,687,879	1,836,680	-	48,524,559
Operating Expenditures/Expenses				
Salaries	94,410,148	551,828	-	94,961,976
Employee benefits	31,931,469	282,544	-	32,214,013
Supplies, materials, and other operating expenditures	23,331,658	938,411	-	24,270,069
Capital outlay	20,293,241	7,606	-	20,300,847
Utilities	2,666,806	-	-	2,666,806
Depreciation	24,837	-	-	24,837
Payments to students	532,766	-	-	532,766
Total Operating Expenditures/Expenses	173,190,925	1,780,389	-	174,971,314
Operating Income (Loss)	(126,503,046)	56,291	-	(126,446,755)
Nonoperating Revenues (Expenditures)				
State apportionments - noncapital	53,878,522	-	-	53,878,522
Education protection account revenues	18,260,880	-	-	18,260,880
Local property taxes - noncapital	51,493,761	-	-	51,493,761
State taxes and other revenues - noncapital	7,195,925	-	-	7,195,925
Investment income - noncapital	928,111	-	-	928,111
Financial aid revenues - federal	-	-	651,485	651,485
Financial aid revenues - state	-	-	-	-
Financial aid disbursements	-	-	(651,485)	(651,485)
Other nonoperating expenditures/expenses	(2,381,619)	-	-	(2,381,619)
Total Nonoperating Revenues (Expenditures)	129,375,580	-	-	129,375,580
Income (Loss) Before Other Revenues and Expenditures/Expenses	2,872,534	56,291	-	2,928,825
Other Revenues and Expenditures				
Local property taxes and revenues - capital	12,754,007	-	-	12,754,007
Investment income - capital	739,939	-	-	739,939
Excess of Revenues Over (Under) Expenditures/Expenses	16,366,480	56,291	-	16,422,771
Other Financing Sources (Uses)				
Bond proceeds	43,229,448	-	-	43,229,448
Cost of bond issuance	(254,740)	-	-	(254,740)
Operating transfers in	9,379,513	-	-	9,379,513
Operating transfers out	(9,363,369)	-	(16,144)	(9,379,513)
Debt service	(21,476,717)	-	-	(21,476,717)
Total Other Financing Sources (Uses)	21,514,135	-	(16,144)	21,497,991
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	37,880,615	56,291	(16,144)	37,920,762
Fund Equity - Beginning of Year, As Restated	168,307,844	632,659	16,144	168,956,647
Fund Equity - End of Year	\$ 206,188,459	\$ 688,950	\$ -	\$ 206,877,409

See the accompanying notes to the supplementary information.

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

Year Ended June 30, 2017	Balance Brought Forward	Other Trust Fund	Associated Students Trust Fund	Student Representation Fee Trust Fund	Balance Forward
Operating Revenues					
Tuition and fees	\$ 29,399,628	\$ -	\$ -	\$ -	\$ 29,399,628
Less: Scholarship discount and allowance	19,811,125	-	-	-	19,811,125
Net Tuition and Fees	9,588,503	-	-	-	9,588,503
Grants and contracts - noncapital:					
Federal	4,376,822	-	-	-	4,376,822
State	29,980,650	-	-	-	29,980,650
Local	2,518,872	-	-	-	2,518,872
Auxiliary enterprise sales and charges	1,731,684	-	-	-	1,731,684
Other operating revenues	328,028	-	-	-	328,028
Total Operating Revenues	48,524,559	-	-	-	48,524,559
Operating Expenditures/Expenses					
Salaries	94,961,976	14	-	-	94,961,990
Employee benefits	32,214,013	(12,276)	-	-	32,201,737
Supplies, materials, and other operating expenditures	24,270,069	12,261	-	-	24,282,330
Capital outlay	20,300,847	-	-	-	20,300,847
Utilities	2,666,806	-	-	-	2,666,806
Depreciation	24,837	-	-	-	24,837
Payments to students	532,766	-	-	-	532,766
Total Operating Expenditures/Expenses	174,971,314	(1)	-	-	174,971,313
Operating Income (Loss)	(126,446,755)	1	-	-	(126,446,754)
Nonoperating Revenues (Expenditures)					
State apportionments - noncapital	53,878,522	-	-	-	53,878,522
Education protection account revenues	18,260,880	-	-	-	18,260,880
Local property taxes	51,493,761	-	-	-	51,493,761
State taxes and other revenues - noncapital	7,195,925	-	-	-	7,195,925
Investment income - noncapital	928,111	-	-	-	928,111
Financial aid revenues - federal	651,485	42,250,023	-	-	42,901,508
Financial aid revenues - state	-	6,041,945	-	-	6,041,945
Financial aid disbursements	(651,485)	(48,291,968)	-	-	(48,943,453)
Other nonoperating expenditures/expenses	(2,381,619)	-	-	-	(2,381,619)
Total Nonoperating Revenues (Expenditures)	129,375,580	-	-	-	129,375,580
Income (Loss) Before Other Revenues and Expenditures/Expenses	2,928,825	1	-	-	2,928,826
Other Revenues and Expenditures					
Local property taxes and revenues - capital	12,754,007	-	-	-	12,754,007
Investment income - capital	739,939	-	-	-	739,939
Excess of Revenues Over (Under) Expenditures/Expenses	16,422,771	1	-	-	16,422,772
Other Financing Sources (Uses)					
Bond proceeds	43,229,448	-	-	-	43,229,448
Cost of bond issuance	(254,740)	-	-	-	(254,740)
Operating transfers in	9,379,513	-	-	-	9,379,513
Operating transfers out	(9,379,513)	-	-	-	(9,379,513)
Debt service	(21,476,717)	-	-	-	(21,476,717)
Total Other Financing Sources (Uses)	21,497,991	-	-	-	21,497,991
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	37,920,762	1	-	-	37,920,763
Fund Equity - Beginning of Year, As Restated	168,956,647	911	-	-	168,957,558
Fund Equity - End of Year	\$ 206,877,409	\$ 912	\$ -	\$ -	\$ 206,878,321

See the accompanying notes to the supplementary information.

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

Year Ended June 30, 2017	Balance Brought Forward	Student Body Center Fee Trust Fund	Total
Operating Revenues			
Tuition and fees	\$ 29,399,628	\$ -	\$ 29,399,628
Less: Scholarship discount and allowance	19,811,125	-	19,811,125
Net Tuition and Fees	9,588,503	-	9,588,503
Grants and contracts - noncapital:			
Federal	4,376,822	-	4,376,822
State	29,980,650	-	29,980,650
Local	2,518,872	-	2,518,872
Auxiliary enterprise sales and charges	1,731,684	-	1,731,684
Other operating revenues	328,028	-	328,028
Total Operating Revenues	48,524,559	-	48,524,559
Operating Expenditures/Expenses			
Salaries	94,961,990	-	94,961,990
Employee benefits	32,201,737	-	32,201,737
Supplies, materials, and other operating expenditures	24,282,330	-	24,282,330
Capital outlay	20,300,847	-	20,300,847
Utilities	2,666,806	-	2,666,806
Depreciation	24,837	-	24,837
Payments to students	532,766	-	532,766
Total Operating Expenditures/Expenses	174,971,313	-	174,971,313
Operating Income (Loss)	(126,446,754)	-	(126,446,754)
Nonoperating Revenues (Expenditures)			
State apportionments - noncapital	53,878,522	-	53,878,522
Education protection account revenues	18,260,880	-	18,260,880
Local property taxes	51,493,761	-	51,493,761
State taxes and other revenues - noncapital	7,195,925	-	7,195,925
Investment income - noncapital	928,111	-	928,111
Financial aid revenues - federal	42,901,508	-	42,901,508
Financial aid revenues - state	6,041,945	-	6,041,945
Financial aid disbursements	(48,943,453)	-	(48,943,453)
Other nonoperating expenditures/expenses	(2,381,619)	-	(2,381,619)
Total Nonoperating Revenues (Expenditures)	129,375,580	-	129,375,580
Income (Loss) Before Other Revenues and Expenditures/Expenses	2,928,826	-	2,928,826
Other Revenues and Expenditures			
Local property taxes and revenues - capital	12,754,007	-	12,754,007
Investment income - capital	739,939	-	739,939
Excess of Revenues Over (Under) Expenditures/Expenses	16,422,772	-	16,422,772
Other Financing Sources (Uses)			
Bond proceeds	43,229,448	-	43,229,448
Cost of bond issuance	(254,740)	-	(254,740)
Operating transfers in	9,379,513	-	9,379,513
Operating transfers out	(9,379,513)	-	(9,379,513)
Debt service	(21,476,717)	-	(21,476,717)
Total Other Financing Sources (Uses)	21,497,991	-	21,497,991
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	37,920,763	-	37,920,763
Fund Equity - Beginning of Year, As Restated	168,957,558	-	168,957,558
Fund Equity - End of Year	\$ 206,878,321	\$ -	\$ 206,878,321

See the accompanying notes to the supplementary information.

Kern Community College District
RECONCILIATION OF FUND EQUITY TO NET POSITION
 June 30, 2017

Total Fund Equity - District Funds Included in the Reporting Entity		\$ 206,878,321
Assets recorded within the GASB 35 Statement of Net Position not included in the District fund financial statements:		
Depreciable capital assets	\$ 350,988,045	
Accumulated depreciation	(118,717,259)	232,270,786
Nondepreciable capital assets		58,606,217
Other postemployment benefits asset		41,372,101
Deferred outflows related to pensions		34,942,134
Deferred loss on refunding		2,644,012
Liabilities recorded within the GASB 35 Statement of Net Position not recorded in the District fund financial statements:		
Accounts payable:		
Interest payable		(2,549,636)
Retentions payable		(497,306)
Pension liabilities		(124,666,887)
Compensated absences		(3,028,789)
Other long-term liabilities		(343,684,474)
Deferred Inflows related to pensions		(3,289,005)
Net Assets Reported Within the GASB 35 Statement of Net Position		\$ 98,997,474

See the accompanying notes to the supplementary information.

Kern Community College District

RECONCILIATION OF CHANGE IN FUND EQUITY TO CHANGE IN NET POSITION

June 30, 2017

Total Net Change in Fund Equity - District Funds Included in the Reporting Entity	\$ 37,920,763
Compensated absence expense reduction reported within the GASB 35 Statements	(147,669)
Change in pension expense related to GASB 68	(4,228,363)
Depreciation expense reported within the GASB 35 Statements	(7,920,433)
Amortization of bond premium cost reported within the GASB 35 Statements	943,289
Amortization of deferred loss on refunding within the GASB 35 Statements	(145,189)
Capital outlay expense not reported within the GASB 35 Statements	14,467,496
Capitalized interest reported within the GASB 35 Statements	77,714
Decrease in interest expense for capital asset related debt reported within the GASB 35 Statements	(4,791,695)
Principal payments on debt not reported within the GASB 35 Statements	10,559,284
Bond proceeds from debt not reported within the GASB 35 Statements	(43,229,448)
Prepaid expense of other postemployment benefits reported within the GASB 35 Statements	(4,618,699)
Net Change in Net Position Reported Within the GASB 35 Statement of Revenues, Expenses, and Changes in Net Assets	\$ (1,112,950)

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, 2017, 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

This schedule includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

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

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

Schedule of Expenditures of State Awards

This schedule includes the state activity of the District under categorical programs of the state of California for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of the *California Community Colleges Contracted District Audit Manual 2016-17*.

Expenses reported on this schedule are reported on the accrual basis of accounting.

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

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

Reconciliation of 50% Law Calculation

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

Reconciliation of Education Protection Account Expenditures

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

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

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

2. COMBINING FINANCIAL STATEMENTS SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

3. LOAN PROGRAMS

The District is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan Program. Accordingly, the value of these outstanding loans is not reflected in the District's financial statements. It is not practical to determine the balance of loans outstanding to students of the District under this program as of June 30, 2017.

OTHER REPORTS SECTION



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Kern Community College District (the District) as of and for the year ended June 30, 2017; 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, 2017.

Internal Control Over Financial Reporting

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

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

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

(Continued)

Compliance and Other Matters

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

Purpose of This Report

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

KCoe Jam, LLP

December 8, 2017
Redding, California

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

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

Report on Compliance for Each Major Federal Program

We have audited Kern Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

(Continued)

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

(Continued)

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance, and the results of that testing, based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KCoe Jam, LLP

December 8, 2017
Redding, California

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Compliance

We have audited the Kern Community College District's (the District) compliance with the types of state compliance requirements described in the *California Community Colleges Contracted District Audit Manual 2016-17*, published by the California Community Colleges Chancellor's Office, for the year ended June 30, 2017. The applicable state compliance requirements are identified in the table below.

Management's Responsibility

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

Auditors' Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *California Community Colleges Contracted District Audit Manual 2016-17*, published by the California Community Colleges Chancellor's Office. Those standards and the *California Community Colleges Contracted District Audit Manual 2016-17* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination of the District's compliance with those requirements.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

Salaries of classroom instructors: 50 percent law
Apportionment for instructional service agreements/contracts
State general apportionment funding system
Residency determination for credit courses
Students actively enrolled
Dual enrollment of K-12 students in community college credit courses
Student equity
Student success and support program (SSSP)
Scheduled maintenance program
Gann limit calculation
Open enrollment
Proposition 39 - clean energy
Intersession extension program
Disabled student programs and services (DSPS)
To be arranged hours (TBA)
Proposition 1D and 51 state bond funded projects
Proposition 55 education protection account funds

Basis for Qualified Opinion on State Compliance

As described in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding the state general apportionment funding systems as described in item 2017-001. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to the state general apportionment funding system.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly we express no opinion on the response.

Qualified Opinion on State General Apportionment Funding System

In our opinion, except for the noncompliance described in the basis for qualified opinion paragraph, the District complied, in all material respects, with the state compliance requirements applicable to the state general apportionment funding system

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

Unmodified Opinion on Each of the Other State Programs

In our opinion, the District complied, in all material respects, with the other state compliance requirements referred to above that are applicable to the District for the year ended June 30, 2017.

KCoe Jam, LLP

December 8, 2017
Redding, California

FINDINGS AND QUESTIONED COSTS SECTION

Kern Community College District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2017

SECTION I
SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

STATE AWARDS

Compliance over state programs:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	Yes
Type of auditors' report issued on compliance for state programs:	Qualified

Kern Community College District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2017
(Continued)

SECTION II FINDINGS
FINANCIAL STATEMENTS AUDIT

None.

SECTION III FINDINGS
FEDERAL AWARDS AUDIT

None.

SECTION IV FINDINGS
STATE AWARDS AUDIT

STATE COMPLIANCE (STATE GENERAL APPORTIONMENT FUNDING SYSTEM)
2017-001

Significant Deficiency

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

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

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

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

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

Response The College has initiated training and will identify appropriate and/or additional training for all faculty. The District will develop appropriate reports and systematic processes implemented to assist in tracking and identifying potential errors. In addition, with the implementation of Banner 9 in 2018 there is an attendance tracking feature that would fix this issue.

Kern Community College District

CORRECTIVE ACTION PLAN

June 30, 2017

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

Kern Community College District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2017

None.