KERN COMMUNITY COLLEGE DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEARS ENDED JUNE 30, 2011 AND 2010

KERN COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

JUNE 30, 2011 AND 2010

KERN COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

JUNE 30, 2011 AND 2010

INTRODUCTION

AUDIT OBJECTIVES

The financial and compliance audits of the Kern Community College District had the following objectives:

> To determine the fairness of presentation of the District's financial statements in accordance with accounting principles generally accepted in the United States of America.
>
> To evaluate the adequacy of the systems and provisions affecting compliance with applicable federal and California laws and regulations, with which noncompliance would have a material effect on the District's financial statements and allowability of program expenditures for federal and California financial assistance programs.
>
> To evaluate the adequacy of the internal control structure sufficient to meet the requirements of auditing standards generally accepted in the United States of America for the purpose of formulating an opinion on the basic financial statements taken as a whole and sufficient to ensure compliance with federal and state regulations.
>
> To determine whether financial and financially related reports to state and federal agencies are presented fairly.
>
> To recommend appropriate actions to correct any noted areas where internal control compliance with applicable federal and state regulations could be improved.

MATSON and ISOM
CERTIFIED PUBLIC ACCOUNTANTS

REDDING, CALIFORNIA

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Kern Community College District
Bakersfield, California

We have audited the accompanying financial statements of the business-type activities of the Kern Community College District (District) as of and for the years ended June 30, 2011 and 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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 standards prescribed by the California State Department of Finance. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of June 30, 2011 and 2010, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2011, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The remaining supplementary information as listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Schedule of State Financial Awards, which is presented for purposes of additional analysis as required by the California Community Colleges Chancellor's Office, are not a required part of the financial statements of the District. This supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 is fairly stated in all material respects in relation to the financial statements as a whole.

Matson and Isom

November 29, 2011

ACCOUNTING STANDARDS

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

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

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

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

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

OVERVIEW

California budget issues remain the same. There is a parallel between the current budget situation in California and the 1993 comedy movie Ground Hog Day where the story's lead character, Phil, gets caught in a time loop causing him to relive February 2nd over and over again. So, as reported for several years running, once again the California State budget maintains a structural imbalance between revenues and expenditures, resulting in significant, ongoing annual budget deficits. In the movie Ground Hog Day, the time loop was not broken until Phil started making the right choices. Likewise, we do not see these structural budget deficits ending until the State Governor and Legislature finally take the most fiscally prudent approach to the budget and truly balance California's ongoing revenues with its ongoing expenditures.

The District has positioned itself financially in anticipation of continual funding reductions from the State. The District has accomplished this through the implementation of expenditure control initiatives, organizational changes, management of reserves, conservative budget planning and management of student enrollment limits. These actions have significantly increased overall reserves and concurrently tempered cost increases. The District's goal is to minimize the effect of these continuous State Budget deficits on the District's various stakeholders until the State's economy and funding recover. In addition, the District transferred a portion of its unrestricted reserves to debt repayment funds and capital outlay funds in anticipation of future debt service requirements. This transfer will also fund overdue scheduled maintenance facilities projects.

The District's total assets declined slightly from $510 million to $508 million. The decrease in assets was primarily due to a $12.3 million decrease in cash, which was offset by a $15.1 million increase in non-depreciable assets. Both changes are associated with construction work in progress. Total liabilities decreased slightly, from $337 million to $336 million. This $1 million decrease was primarily due to a decrease of $1.1 in long-term debt (non-current portion) and $618K decrease in compensated absences (non-current portion). The decrease was partially offset by $781K increase in current liabilities.

Overall revenues of $206.2 million were less than expenditures of $208 million, resulting in a decrease in net assets of $1.8 million. Overall revenues remained flat, increasing only $347K over the prior year. Expenditures increased $7.9 million over the prior year. This increase was primarily due to increased student financial aid payments of $3.9 million and an increase on interest expense on long-term debt of $4.2 million.

STATEMENT OF NET ASSETS

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

The net assets of the District consist of three major categories:

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

STATEMENT OF CASH FLOWS

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

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KERN COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET ASSETS

	June 30, 2011	June 30, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 22,949,719	$ 22,937,162
Restricted cash and cash equivalents	84,463,884	96,807,886
Accounts receivable, net	26,628,551	21,386,590
Prepaid expenses and other current assets	369,205	83,575
Inventories	18,589	1,393,406
Total current assets	134,429,948	142,608,619
Noncurrent assets:		
Restricted investments	66,625,155	65,477,598
Other post employment benefits obligation	72,709,380	77,578,164
Depreciable capital assets, net	134,823,631	140,179,342
Nondepreciable capital assets	95,719,204	80,615,931
Deferred costs, net	3,611,203	3,922,966
Total noncurrent assets	373,488,573	367,774,001
Total assets	$ 507,918,521	$ 510,382,620
LIABILITIES		
Current liabilities:		
Accounts payable	$ 11,581,047	$ 10,896,858
Deferred revenue	4,248,764	4,071,321
Compensated absences, current portion	1,887,121	1,780,385
Long-term debt, current portion	6,623,841	6,640,000
Amounts held for others	736,150	909,169
Total current liabilities	25,076,923	24,297,733
Noncurrent liabilities:		
Compensated absences, noncurrent portion	553,707	1,172,025
Long-term debt, noncurrent portion	310,735,207	311,878,944
Total noncurrent liabilities	311,288,914	313,050,969
Total liabilities	336,365,837	337,348,702
NET ASSETS		
Investments in capital assets, net of related debt	58,395,942	56,670,412
Restricted - expendable	33,960,296	37,881,171
Unrestricted	79,196,446	78,482,335
Total net assets	171,552,684	173,033,918
Total liabilities and net assets	$ 507,918,521	$ 510,382,620

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

KERN COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Years Ended June 30, 2011	2010
OPERATING REVENUES		
Tuition and fees	$ 17,016,895	$ 16,278,879
Less: scholarship discount and allowance	9,651,651	8,745,756
Net tuition and fees	7,365,244	7,533,123
Grants and contracts, non-capital:		
Federal	57,075,138	51,982,055
State	13,706,432	16,060,583
Local	2,651,930	2,320,463
Auxiliary enterprise sales and charges	7,199,433	8,045,839
Other operating revenues	2,125,818	1,570,300
Total operating revenues	90,123,995	87,512,363
OPERATING EXPENSES		
Salaries	76,569,402	78,410,656
Employee benefits	27,012,985	26,620,205
Payments to students	54,616,407	50,682,426
Supplies, materials, other operating expenses and services	22,565,896	22,372,052
Utilities	3,118,561	3,112,010
Depreciation	7,243,486	6,539,934
Total operating expenses	191,126,737	187,737,283
OPERATING LOSS	(101,002,742)	(100,224,920)
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, non-capital	53,527,889	58,731,177
Local property taxes, non-capital	44,325,964	39,105,935
State taxes and other revenues	3,707,191	3,457,879
Investment income, non-capital	2,705,725	3,215,012
Interest expense, capital asset-related debt	(16,599,220)	(12,441,225)
Other non-operating revenue (expense)	1,359,527	1,436,443
Total non-operating revenues (expenses)	89,027,076	93,505,221
LOSS BEFORE OTHER REVENUES AND EXPENSES	(11,975,666)	(6,719,699)
State apportionments, capital	1,025,570	3,110,580
Local property taxes and revenues, capital	9,468,862	8,826,882
Gifts and grants, capital	-	501,912
CHANGE IN NET ASSETS	(1,481,234)	5,719,675
NET ASSETS, BEGINNING OF YEAR	173,033,918	167,314,243
NET ASSETS, END OF YEAR	$ 171,552,684	$ 173,033,918

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

KERN COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS

	Years Ended June 30, 2011	Years Ended June 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	$ 5,876,771	$ 7,931,252
Federal grants and contracts	56,034,396	51,798,334
State grants and contracts	14,454,625	18,348,857
Local grants and contracts	2,183,808	1,025,677
Payments to/on behalf of employees	(77,742,060)	(77,111,007)
Payments for benefits	(20,451,641)	(19,735,573)
Payments for scholarships and grants	(54,616,407)	(50,682,426)
Payments to suppliers	(20,053,049)	(22,032,939)
Payments for utilities	(3,118,561)	(3,112,010)
Auxiliary enterprise sales and charges	4,938,564	7,838,525
Other receipts	2,967,476	1,527,227
Net cash used by operating activities	(89,526,078)	(84,204,083)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State apportionments, non-capital	52,330,777	53,220,667
Local property taxes	44,325,964	39,105,935
State taxes and other revenues	2,885,912	3,399,852
Other receipts (payments)	(683,033)	(579,405)
Net cash provided by non-capital financing activities	98,859,620	95,147,049
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
State apportionments, capital	1,025,570	3,110,580
Local property taxes, capital	9,468,862	8,826,882
Gifts and grants, capital	-	501,912
Purchases of capital assets	(16,439,927)	(17,757,321)
Interest paid on capital debt	(12,617,660)	(13,660,250)
Principal paid on capital debt	(6,640,000)	(51,185,000)
Proceeds from capital debt	1,980,000	50,349,162
Net cash used by capital and related financing activities	(23,223,155)	(19,814,035)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments	43,678,934	47,108,822
Purchase of investments	(44,826,491)	(63,620,831)
Interest on investments	2,705,725	3,215,012
Net cash provided (used) by investing activities	1,558,168	(13,296,997)

(Continued on following page)

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

KERN COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS

	Years Ended June 30, 2011	2010
NET CHANGE IN CASH AND CASH EQUIVALENTS	(12,331,445)	(22,168,066)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	119,745,048	141,913,114
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 107,413,603	$ 119,745,048
COMPONENTS OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	$ 22,949,719	$ 22,937,162
Restricted cash and cash equivalents	84,463,884	96,807,886
Total cash and cash equivalents	$ 107,413,603	$ 119,745,048
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	$ (101,002,742)	$ (100,224,920)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	7,243,486	6,539,934
On behalf payments	2,042,560	2,015,848
Increase in allowance for doubtful accounts	449,209	706,839
(Increase) decrease in:		
Accounts receivable	(3,672,779)	1,643,777
Prepaid expenses and other current assets	(285,630)	(71,656)
Other post employment benefits obligation	4,868,784	4,868,784
Inventories	1,374,817	111,870
Increase (decrease) in:		
Accounts payable	(36,625)	661,598
Deferred revenue	177,443	(589,259)
Compensated absences	(511,582)	230,111
Amounts held for others	(173,019)	(97,009)
Net cash used by operating activities	$ (89,526,078)	$ (84,204,083)
NON-CASH CAPITAL FINANCING ACTIVITIES:		
Debt proceeds withheld from District for issuance costs.	$ -	$ 610,842

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Kern Community College District (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 (Corporation) as its only component unit.

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

The Corporation was established as a legally separate, not-for-profit corporation to provide financial assistance to the District for acquisition and construction of major capital facilities, which, upon completion, will be leased to the District under a lease-purchase agreement. At the end of the lease term, title to all Corporation property will pass to the District for no additional consideration. Therefore, the District has classified the Corporation as a component unit 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, 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.

(Continued on following page)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION AND ACCOUNTING

The financial statement presentation required by GASB Statements No. 34, 35, 37, 38, and 39 provides a comprehensive, entity-wide perspective of the District's overall financial position, results of operations and cash flows, and replaces the fund-group perspective previously required. The District now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the District's financial activities.

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District has elected to follow GASB pronouncements and not Financial Accounting Standards Board (FASB) pronouncements after 1989, as presented by GASB Statement No. 20.

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

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 deferred revenue as of June 30 with the revenue being reported in the fiscal year in which the program is predominately conducted.

The financial accounts of the District are recorded and maintained in accordance with the *California Community Colleges Budget and Accounting Manual.*

(Continued on following page)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

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

RESTRICTED CASH AND INVESTMENTS

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

ACCOUNTS RECEIVABLE

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of California. Accounts receivable also include amounts due from the federal government, state, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. The allowance for uncollectible accounts is calculated by applying certain percentages to each aging group. The allowance was estimated at $2,656,048 and $2,206,839 for the years ended June 30, 2011 and 2010, respectively.

(Continued on following page)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVENTORY

Inventory consists primarily of bookstore merchandise including, but not limited to, books, instructional materials and sundry items held for resale to students and staff of the District. Inventory is valued at cost utilizing the retail method on a first in, first out basis. Management has determined the likelihood of cost exceeding market to be low.

PREPAIDS

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 expense in the year in which the expense was incurred.

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

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

(Continued on following page)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CAPITAL ASSETS (Continued)

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	$ 2,309,640

DEFERRED REVENUE

Deferred revenue 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. Deferred revenue also includes amounts received from grant and contract sponsors that have not yet been earned.

AMOUNTS HELD 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.

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.

(Continued on following page)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 reported as deferred charges and amortized over the term of the related debt. Amortization of issuance costs was $311,763 and $239,205 for the years ended June 30, 2011 and 2010, respectively and is included in depreciation expense.

NET ASSETS

Net assets represent the difference between assets and liabilities. The District's net assets are classified as follows:

- *Invested in capital assets, net of related debt* – 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 invested in capital assets, net of related debt.

- *Restricted net assets-expendable* – Restricted expendable net assets represent resources which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.

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

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

(Continued on following page)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CLASSIFICATION OF REVENUES

The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, local property taxes, and investment income. Revenues are classified according to the following criteria:

- Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most federal, state and local grants and contracts and federal appropriations, and (4) interest on institutional student loans.

- Non-operating revenues – Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources described in GASB Statement No. 34, such as state appropriations and investment income.

SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net assets. 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.

Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as operating revenues (Grants) and operating expenses (Payments to Students) in the District's financial statements.

(Continued on following page)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. Any corrections determined by the State are recorded in the year computed by the State.

ESTIMATES

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

PROPERTY TAXES

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

BUDGET AND BUDGETARY ACCOUNTING

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

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

(Continued on following page)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ON-BEHALF PAYMENTS

GASB Statement 24 requires that direct on-behalf payments for fringe benefits and salaries made by an entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of all Community College Districts in California. These payments are included in employee benefits expense and other non-operating revenues.

RECLASSIFICATIONS

Certain 2010 amounts have been reclassified to conform with the 2011 financial statement presentation.

NOTE 2 CASH AND INVESTMENTS

The cash and cash equivalents as of June 30, 2011 and 2010, are displayed on the statement of net assets as follows:

	June 30, 2011	June 30, 2010
Cash and cash equivalents	$ 22,949,719	$ 22,937,162
Restricted cash and cash equivalents	84,463,884	96,807,886
Total cash and cash equivalents	$ 107,413,603	$ 119,745,048

Deposits – At June 30, 2011 and 2010, the carrying amount of the District's deposits is summarized as follows:

	June 30, 2011	June 30, 2010
Cash in County Treasury	$ 92,931,855	$ 97,828,886
Cash on hand and in banks	5,440,486	8,390,246
Cash held by Trustees	9,041,262	13,525,916
Total deposits	$ 107,413,603	$ 119,745,048

(Continued on following page)

NOTE 2 CASH AND INVESTMENTS
(Continued)

As provided for by *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 was 1.43 and 1.42 years at June 30, 2011 and 2010, respectively.

As of the date of these financial statements, the County of Kern's 2011 audited financial statements were not yet available. 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 percent 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 percent 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, $675,982 and $750,000 of the bank balances at June 30, 2011 and 2010, are insured.

<u>Investments</u> – The California Government Code and the investment policy of the District authorize it to invest in the following:

- Securities of the U.S. Government and its Sponsored Agencies
- Small Business Administration Loans
- Certificates of Deposit and/or FDIC-Insured Passbook Savings
- Bankers Acceptances
- Commercial Paper
- Local Agency Investment Fund (LAIF)
- Repurchase Agreements

(Continued on following page)

NOTE 2 CASH AND INVESTMENTS
(Continued)

As of June 30, 2011 and 2010, the District's restricted investments and deposits are as follows:

	June 30, 2011	June 30, 2010
Investments in LAIF	$ 879,642	$ 875,190
Bank clearing account	424,861	425,063
Certificates of Deposit	11,837,207	8,136,255
Money Market	369,856	248,046
Corporate Bonds and Notes	12,395,544	12,903,429
Government Bonds and Notes	37,372,414	36,943,459
Foreign Bonds	3,345,631	5,946,156
Total investments	$ 66,625,155	$ 65,477,598

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

Risk Information – Interest rate risk is the risk that changes in interest rates 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.

(Continued on following page)

NOTE 2 CASH AND INVESTMENTS
(Continued)

2. The District also diversifies through investing in credit quality securities. Over 75% 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, 2011		Investment Maturities (In Years)		
Investment Type	Fair Value	Less Than 1	1 To 5	More Than 5
Investment in LAIF	$ 879,642	$ 879,642	$ -	$ -
Bank clearing account	424,861	424,861	-	-
Certificates of Deposit	11,837,207	997,322	10,839,885	-
Money Market	369,856	369,856	-	-
Corporate Bonds and Notes	12,395,544	1,087,799	11,307,745	-
Government Bonds and Notes	37,372,414	1,060,970	35,547,545	763,899
Foreign Bonds	3,345,631	200,440	3,145,191	-
Total investments	$ 66,625,155	$ 5,020,890	$ 60,840,366	$ 763,899

June 30, 2010		Investment Maturities (In Years)		
Investment Type	Fair Value	Less Than 1	1 To 5	More Than 5
Investment in LAIF	$ 875,190	$ 875,190	$ -	$ -
Bank clearing account	425,063	425,063	-	-
Certificates of Deposit	8,136,255	2,161,213	5,975,042	-
Money Market	248,046	248,046	-	-
Corporate Bonds and Notes	12,903,429	2,035,804	10,614,407	253,218
Government Bonds and Notes	36,943,459	1,934,997	34,153,242	855,220
Foreign Bonds	5,946,156	310,856	5,635,300	-
Total investments	$ 65,477,598	$ 7,991,169	$ 56,377,991	$ 1,108,438

(Continued on following page)

NOTE 2 CASH AND INVESTMENTS
(Continued)

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, 2011		Investment Ratings				
Investment Type	Fair Value	AAA	AA	A	BBB	Unrated
Investment in LAIF	$ 879,642	$ -	$ -	$ -	$ -	$ 879,642
Bank clearing account	424,861	424,861	-	-	-	-
Certificates of Deposit	11,837,207	11,837,207	-	-	-	-
Money Market	369,856	369,856	-	-	-	-
Corporate Bonds and Notes	12,395,544	-	6,651,538	5,744,006	-	-
Government Bonds and Notes	37,372,414	37,372,414	-	-	-	-
Foreign Bonds	3,345,631	299,414	3,046,217	-	-	-
Total investments	$ 66,625,155	$ 50,303,752	$ 9,697,755	$ 5,744,006	$ -	$ 879,642

June 30, 2010		Investment Ratings				
Investment Type	Fair Value	AAA	AA	A	BBB	Unrated
Investment in LAIF	$ 875,190	$ -	$ -	$ -	$ -	$ 875,190
Bank clearing account	425,063	425,063	-	-	-	-
Certificates of Deposit	8,136,255	8,136,255	-	-	-	-
Money Market	248,046	248,046	-	-	-	-
Corporate Bonds and Notes	12,903,429	-	6,980,362	5,923,067	-	-
Government Bonds and Notes	36,943,459	36,943,459	-	-	-	-
Foreign Bonds	5,946,156	1,523,824	4,111,475	310,857	-	-
Total investments	$ 65,477,598	$ 47,276,647	$ 11,091,837	$ 6,233,924	$ -	$ 875,190

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. However, there are no investments with any single issuer that exceed 5% of the total portfolio.

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.

(Continued on following page)

NOTE 2 CASH AND INVESTMENTS (Continued)

For deposits, 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 percent 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 percent of an entity's total deposits.

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.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2011 and 2010, consist of the following:

	June 30,	
	2011	2010
Tuition and fees	$ 6,135,211	$ 4,398,632
Less allowance for doubtful accounts	2,656,048	2,206,839
Tuition and fees, net	3,479,163	2,191,793
Federal grants and contracts	3,401,026	2,358,185
State grants and contracts	381,427	1,023,547
Local grants and contracts	1,267,847	998,523
State apportionment	13,093,568	11,896,456
State taxes and other revenues	1,491,790	670,511
Unbilled construction receivables	-	1,450
Auxiliaries	2,845,032	584,163
Other	668,698	1,661,962
Total	$ 26,628,551	$ 21,386,590

(Continued on following page)

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, is summarized as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Nondepreciable assets:					
Land	$ 15,675,746	$ -	$ -	$ -	$ 15,675,746
Joint use facilities agreements	6,309,640	-	-	-	6,309,640
Construction in progress	58,630,545	15,522,839	-	(419,566)	73,733,818
Total nondepreciable assets	$ 80,615,931	$ 15,522,839	$ -	$ (419,566)	$ 95,719,204
Depreciable capital assets:					
Site improvements	$ 6,102,692	$ -	$ -	$ -	$ 6,102,692
Buildings	173,630,499	6,800	-	50,955	173,688,254
Equipment	15,043,621	581,975	-	118,327	15,743,923
Computer equipment	13,972,008	806,186	-	250,284	15,028,478
Vehicles	1,979,641	73,248	-	-	2,052,889
	210,728,461	1,468,209	-	419,566	212,616,236
Less accumulated depreciation:					
Site improvements	4,683,717	311,759	-	-	4,995,476
Buildings	40,628,061	3,227,092	-	-	43,855,153
Equipment	10,818,117	1,331,909	-	-	12,150,026
Computer equipment	12,652,164	2,244,068	-	-	14,896,232
Vehicles	1,767,060	128,658	-	-	1,895,718
	70,549,119	7,243,486	-	-	77,792,605
Total depreciable assets, net	$ 140,179,342	$ (5,775,277)	$ -	$ 419,566	$ 134,823,631

(Continued on following page)

NOTE 4 CAPITAL ASSETS
(Continued)

Capital asset activity for the year ended June 30, 2010, is summarized as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Nondepreciable assets:					
Land	$ 15,675,746	$ -	$ -	$ -	$ 15,675,746
Joint use facilities agreements	6,309,640	-	-	-	6,309,640
Construction in progress	48,066,281	11,301,742	-	(737,478)	58,630,545
Total nondepreciable assets	$ 70,051,667	$ 11,301,742	$ -	$ (737,478)	$ 80,615,931
Depreciable capital assets:					
Site improvements	$ 6,086,852	$ 15,840	$ -	$ -	$ 6,102,692
Buildings	171,435,737	1,530,027	-	664,735	173,630,499
Equipment	14,526,630	516,991	-	-	15,043,621
Computer equipment	12,342,879	1,556,386	-	72,743	13,972,008
Vehicles	1,957,828	21,813	-	-	1,979,641
	206,349,926	3,641,057	-	737,478	210,728,461
Less accumulated depreciation:					
Site improvements	4,356,848	326,869	-	-	4,683,717
Buildings	37,435,097	3,192,964	-	-	40,628,061
Equipment	9,604,981	1,213,136	-	-	10,818,117
Computer equipment	10,951,934	1,700,230	-	-	12,652,164
Vehicles	1,660,325	106,735	-	-	1,767,060
	64,009,185	6,539,934	-	-	70,549,119
Total depreciable assets, net	$ 142,340,741	$ (2,898,877)	$ -	$ 737,478	$ 140,179,342

(Continued on following page)

NOTE 5 ACCOUNTS PAYABLE

Accounts payable at June 30, 2011 and 2010, consist of the following:

	June 30, 2011	June 30, 2010
Accrued payroll and related liabilities	$ 3,584,254	$ 4,245,330
Construction payables	2,793,997	2,242,876
Interest payable	1,741,956	1,572,263
Other	3,460,840	2,836,389
Total	$ 11,581,047	$ 10,896,858

NOTE 6 SHORT-TERM DEBT

The District participated in the California Community College Financing Authority 2009 Tax and Revenue Anticipation Bond program, depositing the proceeds (to the extent of participation) in its general fund. Short-term debt is necessary for the District to maintain proper working cash levels.

There was no short-term debt activity for the year ended June 30, 2011.

Short-term debt activity for the year ended June 30, 2010 was as follows:

	June 30, 2009 Balance	Drawn	Repaid	June 30, 2010 Balance
Participation in California Community College Financing Authority 2010 Tax and Revenue Anticipation Bonds	$ -	$ 2,307,560	$ (2,307,560)	$ -

(Continued on following page)

NOTE 7 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

	Beginning Balance	Accretions/ Additions	Reductions	Ending Balance
Certificates of participation	$ 77,316,434	$ -	$ 446,988	$ 76,869,446
Limited obligation improvement bonds	11,159,402	-	826,689	10,332,713
General obligation bonds	145,698,108	3,655,829	4,862,048	144,491,889
CEC loan	-	1,980,000	-	1,980,000
Other post-employment benefit bonds	84,345,000	-	660,000	83,685,000
Total	$ 318,518,944	$ 5,635,829	$ 6,795,725	$ 317,359,048
Compensated absences	$ 2,952,410	$ 1,375,539	$ 1,887,121	$ 2,440,828
Memo total	$ 321,471,354	$ 7,011,368	$ 8,682,846	$ 319,799,876

The following is a summary of changes in long-term liabilities for the year ended June 30, 2010:

	Beginning Balance	Accretions/ Additions	Reductions	Ending Balance
Certificates of participation	$ 83,086,673	$ 41,173,971	$ 46,944,210	$ 77,316,434
Limited obligation improvement bonds	4,984,928	6,724,580	550,106	11,159,402
General obligation bonds	146,893,684	3,406,473	4,602,049	145,698,108
Other post-employment benefit bonds	84,970,000	-	625,000	84,345,000
Total	$ 319,935,285	$ 51,305,024	$ 52,721,365	$ 318,518,944
Compensated absences	$ 2,722,299	$ 2,011,496	$ 1,781,385	$ 2,952,410
Memo total	$ 322,657,584	$ 53,316,520	$ 54,502,750	$ 321,471,354

(Continued on following page)

NOTE 7 LONG-TERM LIABILITIES
(Continued)

Long-term debt consists of the following obligations at June 30, 2011 and 2010:

	June 30, 2011	June 30, 2010
Certificates of Participation		
2008 Conversion of 2004 Variable Rate Certificates of Participation issued in the original amount of $40,280,000 by the Corporation. Final maturity 2034. Interest rates 3.50% to 4.75%.	$ 37,700,000	$ 38,670,000
Reoffering of 2010 Refunding Certificates of Participation issued in the original amount of $42,875,000 by the Corporation. Final maturity 2014. Interest rate 4%.	42,875,000	42,875,000
Total certificates of participation	80,575,000	81,545,000
Discount on certificates of participation	(3,705,554)	(4,228,566)
Net certificates of participation	76,869,446	77,316,434
Limited Obligation Improvement Bonds		
2004 Refunding Bonds issued in the original amount of $7,115,000. Final maturity 2017. Interest rates 1.90% to 4.10%.	3,895,000	4,465,000
2010A Lease Revenue Bonds issued in the original amount of $6,810,000. Final maturity 2035. Interest rates 3.00% to 5.125%.	6,545,000	6,810,000
Total limited obligation improvement bonds	10,440,000	11,275,000
Discount on limited obligation improvement bonds	(107,287)	(115,598)
Net limited obligation improvement bonds	10,332,713	11,159,402

(Continued on following page)

NOTE 7 LONG-TERM LIABILITIES
(Continued)

	June 30, 2011	June 30, 2010
General Obligation Improvement Bonds		
Bonds issued in the original amount of $7,556,642, including current interest bonds and capital appreciation bonds. Final maturity 2025. Interest rates 4.00% to 5.66%.	7,571,066	7,686,198
Bonds issued in the original amount of $4,022,236, including current interest bonds and capital appreciation bonds. Final maturity 2027. Interest rates 3.55% to 5.57%.	4,493,785	4,425,982
Bonds issued in the original amount of $75,240,068, including current interest bonds and capital appreciation bonds. Final maturity 2028. Interest rates 2.00% to 6.78%.	11,188,344	12,518,421
Bonds issued in the original amount of $54,025,132, including current interest bonds and capital appreciation bonds. Final maturity 2021. Interest rates 3.00% to 5.00%.	53,629,128	54,659,573
Bonds issued in the original amount of $49,999,533, including current interest bonds and capital appreciation bonds. Final maturity 2030. Interest rates 4.25% to 5.00%.	58,564,965	56,676,287
Total general obligation bonds	135,447,288	135,966,461
Premium on general obligation bonds	9,044,601	9,731,647
Net general obligation bonds	144,491,889	145,698,108

(Continued on following page)

NOTE 7 LONG-TERM LIABILITIES
(Continued)

	June 30, 2011	June 30, 2010
CEC Loan		
Energy Conservation Assistance Loan with a principal amount of $2,200,000 however only $1,980,000 has been drawn. Final maturity 2026 and interest rate of 3%. Interest only payments until June 2013.	1,980,000	-
Other Post-employment Benefit Bonds		
2008 Taxable OPEB (Other Post-Employment Benefit) Bonds, Series A issued in the original amount of $85,880,000. Final maturity 2047. Interest rate 6.01%.	83,685,000	84,345,000
Total long-term debt	317,359,048	318,518,944
Less current portion	6,623,841	6,640,000
Total long-term debt, noncurrent portion	$ 310,735,207	$ 311,878,944

Refunded Debt

The 2007 Refunding Certificates of Participation (auction rate securities) were issued to refinance the 1998 Certificates of Participation in the 2007/2008 year. The District recognized a financial statement gain of $1,230,808 on the refinance and it is being amortized over the life of the new debt. The issuance resulted in an economic gain of $6,123,582.

The 2008 Certificates of Participation were issued to convert the existing 2004 variable rate Certificates of Participation to a long term rate period and long term rate in the 2007/2008 year. The District recognized a financial statement loss of $3,038,898 on the conversion and it is being amortized over the life of the new debt. The District also recognized an economic loss of $134,723. The District made the conversion as a stop gap measure from incurring further losses due to the collapse of the Auction Rate Securities Market and rating downgrades of the insurance providers for this issuance.

(Continued on following page)

NOTE 7 LONG-TERM LIABILITIES
(Continued)

Refunded Debt (Continued)

The Reoffering of 2007 Refunding Certificates of Participation were issued to convert the 2007 Refunding Certificates of Participation (auction rate securities) to long term interest rate securities, bearing interest at a fixed rate of interest (3.00%), in the 2007/2008 year. The District recognized a financial statement loss of $516,334 on the refinance and it is being amortized over the life of the new debt. The issuance resulted in an economic gain of $5,711,338. The District made the conversion as a stop gap measure from incurring further losses due to the collapse of the Auction Rate Securities Market and rating downgrades of the insurance providers for this issuance.

The 2010 Refunding Certificates of Participation were issued to refinance the 2007 Certificates of Participation in the 2009/2010 year. The District recognized a financial statement loss of $3,061,453 on the refinance and it is being amortized over the life of the new debt. The issuance resulted in an economic gain of $34,272,144.

Accretion

General obligation bonds as of June 30, 2011 and 2010 have been increased by $17,456,685 and $13,800,856, respectively, to include accumulated accretion of the capital appreciation bonds. Annual accretion is recognized as interest in the statement of activities.

(Continued on following page)

NOTE 7 LONG-TERM LIABILITIES
(Continued)

Accretion (Continued)

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

Year Ended June 30,	Bonds Principal	Bonds Interest	Bonds Total	Bond Premium	Total
2012	$ 6,623,841	$ 12,601,173	$ 19,225,014	$ 173,686	$ 19,398,700
2013	8,006,367	11,793,606	19,799,973	173,686	19,973,659
2014	50,312,383	12,948,600	63,260,983	213,617	63,474,600
2015	6,340,649	12,670,132	19,010,781	583,324	19,594,105
2016	6,358,953	12,911,239	19,270,192	583,324	19,853,516
2017 – 2021	59,684,972	40,508,613	100,193,585	2,940,271	103,133,856
2022 – 2026	48,967,869	56,751,281	105,719,150	841,803	106,560,953
2027 – 2031	32,645,573	69,936,764	102,582,337	80,356	102,662,693
2032 – 2036	30,524,996	18,105,650	48,630,646	(358,307)	48,272,339
2037 – 2041	17,010,000	11,147,649	28,157,649	-	28,157,649
2042 – 2046	22,785,000	5,209,017	27,994,017	-	27,994,017
2047 – 2051	5,410,000	162,571	5,572,571	-	5,572,571
Total	$ 294,670,603	$ 264,746,295	559,416,898	5,231,760	564,648,658
Less interest (excluding accretion of $17,456,685)			(247,289,610)	-	(247,289,610)
Net principal			$ 312,127,288	$ 5,231,760	$ 317,359,048

(Continued on following page)

NOTE 8 OPERATING LEASES

The District leases office and classroom facilities and other equipment under noncancelable operating leases. Total costs for such leases for the years ended June 30, 2011 and 2010 were $49,919 and $287,909, respectively.

The future minimum lease payments as of June 30, 2011, are as follows:

Year Ended June 30,	Amount
2012	$ 39,676
2013	36,989
2014	34,026
2015	8,333
2016	-
Total	$ 119,024

NOTE 9 PENSION PLANS

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

A. Plan Descriptions and Provisions

1. *State Teachers' Retirement System (STRS)*

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more in a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). Since January 1, 1999, both of these plans have been part of the State Teachers' Retirement Plan (STRP), a cost-sharing, multiple-employer contributory public employee retirement system. The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.

(Continued on following page)

NOTE 9 PENSION PLANS

A. Plan Descriptions and Provisions (Continued)

1. *State Teachers' Retirement System (STRS)* (Continued)

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

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

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

At June 30, 2011 and 2010, the District employed 348 and 405 certificated employees with a total annual payroll of $38,682,117 and $38,681,823, respectively.

(Continued on following page)

NOTE 9 PENSION PLANS
(Continued)

A. Plan Descriptions and Provisions (Continued)

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

All full-time classified employees participate in the CalPERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The Kern Community College District is part of a "cost-sharing" pool within CalPERS. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit.

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

The Public Employees' Retirement Law (Part 3 of the *California Government* Code, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

B. Funding Policy

STRS: Active plan members are required to contribute 8.0% of their gross salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Board based upon recommendations made by the consulting actuary. The required employer contribution rate for the fiscal years ended June 30, 2011 and 2010, was 8.25% of annual payroll for regular employees and 8.827% of annual payroll for reduced workload employees. The contribution requirements of the plan members are established by State statutes.

(Continued on following page)

NOTE 9 PENSION PLANS
(Continued)

B. Funding Policy (Continued)

CalPERS: Active plan members are required to contribute 7.0% of their salary (7.0% of monthly salary over $133.33 if the member participates in Social Security) and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2011 and 2010, was 10.707% and 9.709% of annual payroll. The contribution requirements of the plan members are established by State statutes.

The District's required contributions for the last three years are as follows:

	Year Ended June 30,		
	2009	2010	2011
STRS	$ 3,730,600	$ 3,670,070	$ 3,699,805
PERS	2,195,468	2,297,515	2,377,447
Total	$ 5,926,068	$ 5,967,585	$ 6,077,252

All contributions were made in accordance with actuarially determined requirements and equal 100% of the required contribution for each year.

The State of California makes contributions to CalSTRS on behalf of the District equaling approximately 4.517% of covered members' gross salaries. The contribution for the years ending June 30, 2011, 2010 and 2009 are estimated to have been $2,042,560, $2,015,848 and $1,931,783, respectively. A District contribution to CalPERS was not required for the years ended June 30, 2011, 2010 and 2009. The payment amounts have been reflected in the basic financial statements as a component of employee benefits expense and other non-operating revenues.

NOTE 10 STATE AND FEDERAL ALLOWANCES, AWARDS, AND GRANTS

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

(Continued on following page)

NOTE 11 RISK MANAGEMENT

The District participates in three joint ventures under joint powers agreements (JPA's) with the Self-Insured Schools of California Workers' Compensation Program (SISC I), Self-Insured Schools of California Property and Liability Program (SISC II), 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.

Condensed combined financial information of SISC I, SISC II, and SISC III, for the most current year available is as follows:

	June 30, 2011		September 30, 2010
	SISC I	SISC II	SISC III
Total assets	$ 93,923,692	$ 49,811,860	$ 251,295,365
Total liabilities	63,099,280	33,038,659	98,032,970
Fund balance	$ 30,824,412	$ 16,773,201	$ 153,262,395
Total revenues	$ 11,548,714	$ 18,374,095	$ 1,007,164,422
Total expenditures	15,068,287	22,036,858	1,044,275,890
Net increase (decrease) in fund balance	$ (3,519,573)	$ (3,662,763)	$ (37,111,468)

(Continued on following page)

NOTE 11 RISK MANAGEMENT
(Continued)

The District's share of year-end assets, liabilities, or fund equity has not been calculated by SISC I, SISC II or SISC III.

The District has recorded $350,000 of excess insurance reserves being held by SISC as of June 30, 2011.

SISC I, SISC II, and SISC III did not have long-term debt outstanding at June 30, 2011 and September 30, 2010, respectively.

Financial statements are available from SISC upon request.

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The District provides postemployment health care benefits for eligible employees who retire with CalPERS or CalSTRS 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. The District implemented the new reporting requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)* (GASB 45) prospectively for the fiscal year ended June 30, 2010.

A. Plan Description

Retirees receiving a pension from either CalSTRS or CalPERS 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 725 active full-time employees who are eligible for postretirement health benefits and 451 retirees who receive postretirement health benefits.

(Continued on following page)

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

B. 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 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.

C. Annual OPEB Costs and Net OPEB Obligation

Before the implementation of GASB 45, the District's expenses for postretirement health benefits were recognized only when paid. The District's annual OPEB cost (expense) is now calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period of 30 years. The following table shows the components of the District's OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan for the year ended June 30, 2011:

	2011	2010
Annual required contribution (ARC)	$ 453,447	$ 453,447
Adjustment to ARC	4,415,337	4,415,337
Annual OPEB cost for the year	4,868,784	4,868,784
Contributions made for the year	-	-
Change in prepaid OPEB obligation	4,868,784	4,868,784
Net OPEB prepaid, beginning of the year	(77,578,164)	(82,446,948)
Net OPEB prepaid, end of year	$ (72,709,380)	$ (77,578,164)

(Continued on following page)

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

C. Annual OPEB Costs and Net OPEB Obligation (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2011 and 2010, and 2009 is as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of annual OPEB costs Contributed	Net OPEB Prepaid
06/30/2011	$ 4,868,784	0%	$ (72,709,380)
06/30/2010	$ 4,868,784	0%	$ (77,578,164)
06/30/2009	$ 4,907,633	1728%	$ (82,446,948)

D. Funded Status Information

The District's funding status information is illustrated as follows:

Actuarial valuation date	February 1, 2010
Actuarial value of assets	$ 84,044,523
Actuarial accrued liability (AAL)	$ 67,675,250
Unfunded AAL (UAAL)	$ (87,528,266)
Funded ratio	129%
Covered payroll	$ 46,757,426
UAAL as a % of covered payroll	187.20%

As of June 30, 2011, the District has set aside approximately $84,782,678 in an external trust fund and the fair value of the trust fund as of June 30, 2011 was approximately $89,379,733.

(Continued on following page)

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

E. 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 healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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

In the February 2010 actuarial valuation, the entry-age normal cost method was used. The actuarial assumptions included a 5% discount rate based on the assumption that a substantial portion of the ARC is funded. A 3.0% price inflation and a 3.0% wage inflation assumptions were 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.

(Continued on following page)

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

CONDENSED FINANCIAL STATEMENTS

The financial information for the OPEB Trust are presented below.

Statement of Plan Net Assets

	June 30, 2011
ASSETS	
Cash and cash equivalents	$ 51
Interest receivable	99,917
Long-term investments	89,379,681
Total assets	89,479,649
LIABILITIES	
Benefits payable	604,978
Total liabilities	604,978
Net assets	$ 88,874,671

	June 30, 2011
ADDITIONS	
Investment income:	
Net realized and unrealized losses in investments	$ 12,039,977
Dividends and interest	1,497,942
Total investment income	13,537,919
Total additions to net assets	13,537,919
DEDUCTIONS	
Benefit expenses	$ 4,998,616
Total deductions	4,998,616
Increase in net assets	8,539,303
Net assets, beginning of year	80,335,368
Net assets, end of year	$ 88,874,671

(Continued on following page)

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

NOTES TO THE CONDENSED OPEB 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 Polices

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. Benefits expenses are recognized when due and payable.

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

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

(Continued on following page)

NOTE 13 FUNCTIONAL EXPENSES

The following represents the functional presentation of total operating expenses of the District at June 30, 2011. The District allocates expenses to function based on departments as provided for in the *California Community College Budget and Accounting Manual.*

	Salaries	Employee Benefits	Supplies Materials and Other Expenses and Services	Depreciation and Amortization	Total
Admissions and records	$ 986,971	$ 409,844	$ 46,432	$ -	$ 1,443,247
Ancillary services	4,305,696	1,445,559	6,090,879	29,991	11,872,125
Auxiliary operations	72,515	25,202	-	-	97,717
Community services and economic development	878,768	161,247	723,674	-	1,763,689
Depreciation expense	-	-	-	7,213,495	7,213,495
Institutional support services	8,931,462	9,838,430	7,082,164	-	25,852,056
Instructional	41,616,854	8,781,117	3,147,643	-	53,545,614
Instructional administration	6,743,758	2,031,617	1,353,220	-	10,128,595
Instructional support services	1,427,195	461,716	292,512	-	2,181,423
Long-term debt and other financing	-	-	74,715	-	74,715
Operations and maintenance of plant	2,453,051	1,137,486	4,254,075	-	7,844,612
Other student services	4,872,422	1,475,534	55,083,278	-	61,431,234
Physical property and related acquisitions	806,873	215,109	729,989	-	1,751,971
Planning, policymaking, and coordination	821,150	315,297	1,084,546	-	2,220,993
Student counseling and guidance	2,652,687	714,827	129,859	-	3,497,373
Transfers, student aid, and other outgo	-	-	207,878	-	207,878
Total	$ 76,569,402	$ 27,012,985	$ 80,300,864	$ 7,243,486	$ 191,126,737

(Continued on following page)

NOTE 13 FUNCTIONAL EXPENSES
(Continued)

The following represents the functional presentation of total operating expenses of the District at June 30, 2010. The District allocates expenses to function based on departments as provided for in the *California Community College Budget and Accounting Manual.*

	Salaries	Employee Benefits	Supplies Materials and Other Expenses and Services	Depreciation and Amortization	Total
Admissions and records	$ 1,013,768	$ 475,788	$ 41,304	$ -	$ 1,530,860
Ancillary services	4,695,452	1,722,411	6,581,021	31,156	13,030,040
Auxiliary operations	151,961	39,520	-	-	191,481
Community services and economic development	417,844	106,065	305,873	-	829,782
Depreciation expense	-	-	-	6,508,778	6,508,778
Institutional support services	9,974,949	7,062,009	6,266,047	-	23,303,005
Instructional	40,555,080	9,582,101	4,453,151	-	54,590,332
Instructional administration	7,382,212	2,450,978	655,067	-	10,488,257
Instructional support services	1,527,765	571,047	357,527	-	2,456,339
Long-term debt and other financing	-	-	6,239	-	6,239
Operations and maintenance of plant	2,580,798	1,332,953	4,065,695	-	7,979,446
Other student services	5,644,825	1,778,246	51,085,521	-	58,508,592
Physical property and related acquisitions	856,272	266,103	1,020,626	-	2,143,001
Planning, policymaking, and coordination	655,973	344,243	898,758	-	1,898,974
Student counseling and guidance	2,953,757	888,741	216,218	-	4,058,716
Transfers, student aid, and other outgo	-	-	213,441	-	213,441
Total	$ 78,410,656	$ 26,620,205	$ 76,166,488	$ 6,539,934	$ 187,737,283

(Continued on following page)

NOTE 14 COMMITMENTS

As of June 30, 2011, the District had unfinished construction contracts under the following project categories:

Bakersfield College Thermal Energy Storage	$	1,178,293
Bakersfield College PV Solar Project		489,702
Cerro Coso Community College Science Modernization		803,393
Cerro Coso Student Center Modernization		1,046,102
Porterville College Wellness Modernization		2,694,452
Other projects		494,499
	$	6,706,441

As of June 30, 2010, the District had unfinished construction contracts under the following project categories:

Bakersfield College Baseball/Softball Modernization	$	465,052
Cerro Coso Community College Science Modernization		853,811
Cerro Coso Fine Arts		1,306,813
Porterville College Wellness Modernization		2,699,452
Porterville College Library Expansion		11,618
Other projects		76,387
	$	5,413,133

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KERN COMMUNITY COLLEGE DISTRICT

ORGANIZATION

JUNE 30, 2011

BOARD OF TRUSTEES

Name	Office	Area	Term Expires
Ms. Rose Marie Bans	President	Northeastern Kern County	December 2012
Mr. John S. Corkins	Vice President	Porterville	December 2014
Mrs. Kay S. Meek	Clerk	Southwest Bakersfield	December 2012
Mr. Stuart O. Witt	Member	Ridgecrest	December 2014
Mr. John A. Rodgers	Member	Central Bakersfield	December 2014
Mr. Dennis L. Beebe	Member	Southwest Bakersfield	December 2012
Mrs. Pauline F. Larwood	Member	Central Bakersfield	December 2014

ADMINISTRATION

NAME	Office
Ms. Sandra V. Serrano	Chancellor
Mr. Thomas J. Burke	Chief Financial Officer
Dr. Doris Givens	Associate Chancellor, Educational Services
Mr. Ibrahim Ali	Vice Chancellor, Human Resources
Mr. Sean James	Vice Chancellor, Operations

KERN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Disbursements/ Expenditures
FEDERAL EXPENDITURES:		
Department of Agriculture:		
US Forest Service	10.679	$ 15,975
Passed through State Department of Education -		
Child Care Food Program	10.555	229,674
Total Department of Agriculture		245,649
Department of Labor:		
Workforce Investment Act Cluster		
Passed through County of Kern -		
WIA Adult Program - ARRA	17.258	300,665
Passed through State of California Employment Development Department -		
WIA Adult Program - ARRA	17.258	333,754
Total Workforce Investment Act Cluster		634,419
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors - ARRA	17.275	550,668
Total Department of Labor		1,185,087
Department of Energy		
Passed through State of California Employment Development Department -		
State Energy Program - ARRA	81.041	226,537
Total Department of Energy		226,537
Department of Education:		
Student Financial Aid Cluster		
Federal Supplemental Educational Opportunity Grants	84.007	437,737
Federal Direct Student Loans	84.268	6,322,821
Federal Work-Study Program	84.033	478,718
Federal Work-Study Program - ARRA	84.033	-
Federal Pell Grant Program	84.063	44,832,503
Academic Competitiveness Grant	84.375	207,878
Total Student Financial Aid Cluster		52,279,657

(Continued on following page)

The accompanying notes to the supplementary information are an integral part of this supplementary information.

KERN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Disbursements/ Expenditures
FEDERAL EXPENDITURES:		
Department of Education: (Continued)		
Higher Education - Institutional Aid	84.031	358,336
Passed through State Department of Education -		
Vocational Education - Basic Grants to States	84.048	1,117,432
Migrant Education - State Grant Program	84.011	21,577
Vocational Education - Tech Prep Education	84.243	345,559
Rehabilitation Services - Vocational Rehabilitation to States	84.126	144,658
Rehabilitation Services - Vocational Rehabilitation to States - ARRA	84.390	18,867
Fund for the Improvement of Postsecondary Education	84.116	19,821
State Fiscal Stabilization - ARRA	84.394	67,047
Total Department of Education		54,372,954
National Science Foundation		
Education and Human Resources	47.076	46,597
Department of Health and Human Services:		
Passed through State Department of Education -		
Administration for Children and Families -		
Temporary Assistance for Needy Families (TANF)	93.558	29,019
General Center - Child Care	93.596	224,854
CCAP Infant Toddler Resource	93.713	2,306
Foster Parent Training	96.658	50,972
Total Department of Health and Human Services		307,151
Total Federal Expenditures		$ 56,383,975

The accompanying notes to the supplementary information are an integral part of this supplementary information.

KERN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

YEAR ENDED JUNE 30, 2011

Description	Program Revenues: Cash Received	Program Revenues: Increase (Decrease) Accounts Receivable	Program Revenues: (Increase) Decrease in Deferred Income	Program Revenues: Total	Total Program Expenditures
Extended Opportunity Programs and Services	1,586,233	(593)	-	1,585,640	1,585,640
CalGrant	2,729,125	(111,792)	-	2,617,333	2,617,333
Disabled Students Programs and Services	1,246,726	(169)	-	1,246,557	1,246,557
CalWorks	460,538	-	18,081	478,619	478,619
Matriculation	702,485	-	-	702,485	702,485
Foster Parent	120,438	(25,192)		95,246	95,246
Project Care	274,477	-	-	274,477	274,477
BFAP	919,258	-	-	919,258	919,258
Small Business Center	134,903	(11,903)	-	123,000	123,000
PC Development Service	88,240	(9,160)	-	79,080	79,080
PC Development Center	351,556	-	-	351,556	351,556
Psych Tech	811,080	(294,400)	-	516,680	516,680
Career Tech Education	680,000	-	-	680,000	680,000
Basic Skills	450,297	4,062	-	454,359	454,359
All other categorical	821,975	-	(355,991)	465,984	465,984
	$ 11,377,331	$ (449,147)	$ (337,910)	$ 10,590,274	$ 10,590,274

The accompanying notes to the supplementary information are an integral part of this supplementary information.

KERN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT

ANNUALIZED ATTENDANCE AS OF JUNE 30, 2011

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2010 Only)			
1. Noncredit	2.36		2.36
2. Credit	1,877.67		1,877.67
B. Summer Intersession (Summer 2011 Prior to July 1, 2011)			
1. Noncredit	-		-
2. Credit	39.55		39.55
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	13,465.67		13,465.67
(b) Daily Census Contact Hours	609.85		609.85
2. Actual Hours of Attendance Procedures Courses			
(a) Noncredit	47.12		47.12
(b) Credit	1,817.14		1,817.14
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Procedure Courses	2,251.48		2,251.48
(b) Daily Census Procedure Courses	471.53		471.53
(c) Noncredit Independent Study/Distance Education Courses	-		-
D. Total FTES	20,582.37		20,582.37
Supplemental Information (Subset of above information)			
E. In-Service Training Courses (FTES)	537.10		537.10
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	50.00		50.00
2. Credit	2,520.88		2,520.88

The accompanying notes to the supplementary information are an integral part of this supplementary information.

KERN COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH DISTRICT ACCOUNTING RECORDS

YEAR ENDED JUNE 30, 2011

	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Other Special Revenue Fund
June 30, 2011 Annual Financial and Budget Report (CCFS-311) Fund Balance	$ 35,410,228	$ 24,973,035	$ 70,646,131	$ 271,533	$ 250,540
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District identified adjustments	(650,625)	18,228			-
Audit adjustments		-	-	-	-
Reclassification of amounts held for others	-	-	-	-	-
Rounding	-			2	
Net adjustments and reclassifications	(650,625)	18,228	-	2	-
June 30, 2011 District Accounting Records Fund Balance	$ 34,759,603	$ 24,991,263	$ 70,646,131	$ 271,535	$ 250,540

The accompanying notes to the supplementary information are an integral part of this supplementary information.

Capital Outlay Projects Fund	Bookstore Fund	Cafeteria Fund	Student Financial Aid Fund	Other Trust Fund	Associated Students Trust Fund	Student Representation Fee Trust Fund	Student Body Center Fee Trust Fund
$ 55,558,318	$ 2,335,692	$ 259,874	$ 90,891	$ (113,890)	$ 261,800	$ 15,827	$ 308,175
(172,231)	-	631	-	47,231	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	(261,800)	(15,827)	(308,175)
-	(3)	-	-	-	-	-	-
(172,231)	(3)	631	-	47,231	(261,800)	(15,827)	(308,175)
$ 55,386,087	$ 2,335,689	$ 260,505	$ 90,891	$ (66,659)	$ -	$ -	$ -

KERN COMMUNITY COLLEGE DISTRICT

COMBINING BALANCE SHEET - DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY

JUNE 30, 2011

	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 19,053,044	$ -	$ 3,833,571	$ 432,738
Restricted cash and cash equivalents	3,713,737	25,957,552	-	-
Accounts receivable, net	21,996,695	25,753	187,405	35,978
Prepaid expenses	19,205	-	-	-
Inventories	-	-	-	-
Due from other funds	75,000	-	-	-
Total current assets	44,857,681	25,983,305	4,020,976	468,716
Noncurrent assets:				
Restricted investments	-	-	66,625,155	-
Capital assets, net	-	-	-	-
Total noncurrent assets	-	-	66,625,155	-
Total assets	$ 44,857,681	$ 25,983,305	$ 70,646,131	$ 468,716
LIABILITIES				
Accounts payable	$ 6,087,829	$ 17,650	$ -	$ 147,181
Deferred revenue	4,010,249	-	-	50,000
Due to other funds	-	974,392	-	-
Amounts held for others	-	-	-	-
Total liabilities	10,098,078	992,042	-	197,181
FUND EQUITY (DEFICIT):				
Fund balances:				
Reserved for debt service	-	24,991,263	70,646,131	-
Reserved for special purposes	8,333,269	-	-	-
Unreserved:				
Undesignated	26,426,334	-	-	271,535
Total fund equity (deficit)	34,759,603	24,991,263	70,646,131	271,535
Total liabilities and fund equity (deficit)	$ 44,857,681	$ 25,983,305	$ 70,646,131	$ 468,716

(Continued on following page)

The accompanying notes to the supplementary information are an
integral part of this supplementary information.

Other Special Revenue Fund	Capital Outlay Projects Fund	Bookstore Fund	Cafeteria Fund	Student Financial Aid Fund	Other Trust Fund	Associated Students Trust Fund
$ 250,540	$ (165,678)	$ (560,566)	$ 123,564	$ -	$ (17,494)	$ -
-	55,211,768	640	-	90,891	(1,385,349)	450,655
-	162,948	2,660,786	133,669	-	1,357,905	67,412
-	-	-	-	-	-	-
-	-	5,814	12,775	-	-	-
-	899,392	-	-	-	-	-
250,540	56,108,430	2,106,674	270,008	90,891	(44,938)	518,067
-	-	-	-	-	-	-
-	-	541,349	-	-	-	-
-	-	541,349	-	-	-	-
$ 250,540	$ 56,108,430	$ 2,648,023	$ 270,008	$ 90,891	$ (44,938)	$ 518,067
$ -	$ 645,972	$ 312,334	$ 9,503	$ -	$ 21,721	$ 85,456
-	76,371	-	-	-	-	20,463
-	-	-	-	-	-	-
-	-	-	-	-	-	412,148
-	722,343	312,334	9,503	-	21,721	518,067
-	-	-	-	-	-	-
250,540	55,386,087	2,335,689	-	90,891	(66,659)	-
-	-	-	260,505	-	-	-
250,540	55,386,087	2,335,689	260,505	90,891	(66,659)	-
$ 250,540	$ 56,108,430	$ 2,648,023	$ 270,008	$ 90,891	$ (44,938)	$ 518,067

KERN COMMUNITY COLLEGE DISTRICT

COMBINING BALANCE SHEET - DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY

JUNE 30, 2011

	Student Representation Fee Trust Fund	Student Body Center Fee Trust Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ -	$ -	$ 22,949,719
Restricted cash and cash equivalents	37,297	386,693	84,463,884
Accounts receivable, net	-	-	26,628,551
Prepaid expenses	-	-	19,205
Inventories	-	-	18,589
Due from other funds	-	-	974,392
Total current assets	37,297	386,693	135,054,340
Noncurrent assets:			
Restricted investments	-	-	66,625,155
Capital assets, net	-	-	541,349
Total noncurrent assets	-	-	67,166,504
Total assets	$ 37,297	$ 386,693	$ 202,220,844
LIABILITIES			
Accounts payable	$ 1,709	$ 6,598	$ 7,335,953
Deferred revenue	19,760	71,921	4,248,764
Due to other funds	-	-	974,392
Amounts held for others	15,828	308,174	736,150
Total liabilities	37,297	386,693	13,295,259
FUND EQUITY (DEFICIT):			
Fund balances:			
Reserved for debt service	-	-	95,637,394
Reserved for special purposes	-	-	66,329,817
Unreserved:			
Undesignated	-	-	26,958,374
Total fund equity (deficit)	-	-	188,925,585
Total liabilities and fund equity (deficit)	$ 37,297	$ 386,693	$ 202,220,844

The accompanying notes to the supplementary information are an integral part of this supplementary information.

KERN COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN FUND EQUITY - DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY

YEAR ENDED JUNE 30, 2011

	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund
OPERATING REVENUES				
Tuition and fees	$ 16,842,884	$ -	$ -	$ -
Less: scholarship discount and allowance	9,651,651	-	-	-
Net tuition and fees	7,191,233	-	-	-
Grants and contracts, non-capital:				
Federal	4,883,830	-	-	456,834
State	8,558,904	-	-	2,530,195
Local	2,470,822	-	-	1,500
Auxiliary enterprise sales and charges	54,837	-	-	-
Other operating revenues	484,728	5,567,041	-	38,179
Total operating revenues	23,644,354	5,567,041	-	3,026,708
OPERATING EXPENDITURES/EXPENSES				
Salaries	72,790,423	-	-	2,540,723
Employee benefits	19,023,521	-	-	939,752
Payments to students	246,205	-	-	-
Supplies, materials, and other operating expenditures/expenses and services	15,922,863	107,352	4,433,469	169,228
Capital outlay	1,526,193	-	-	-
Utilities	3,064,811	-	-	44,850
Depreciation	-	-	-	-
Total operating expenditures/expenses	112,574,016	107,352	4,433,469	3,694,553
OPERATING INCOME (LOSS)	(88,929,662)	5,459,689	(4,433,469)	(667,845)
NON-OPERATING REVENUES (EXPENDITURES)				
State apportionments, non-capital	53,527,889	-	-	-
Local property taxes	44,325,964	-	-	-
State taxes and other revenues	3,631,573	75,618	-	-
Investment income, non-capital	371,264	143,715	1,514,166	3,857
Debt service	(5,729,119)	(13,528,541)	-	-
Cost of issuance	-	-	-	-
Other non-operating expenditures/expenses	(683,033)	-	-	-
Total non-operating revenues (expenditures)	95,444,538	(13,309,208)	1,514,166	3,857

(Continued on following page)

The accompanying notes to the supplementary information are an integral part of this supplementary information.

Other Special Revenue Fund	Capital Outlay Projects Fund	Bookstore Fund	Cafeteria Fund	Student Financial Aid Fund	Other Trust Fund	Associated Students Trust Fund
$ -	$ 175,664	$ -	$ (1,653)	$ -	$ -	$ -
-	-	-	-	-	-	-
-	175,664	-	(1,653)	-	-	-
-	-	-	-	437,737	51,296,737	-
-	-	-	-	-	2,617,333	-
18,328	168,517	(7,288)	51	-	-	-
-	-	5,810,449	1,334,147	-	-	-
-	162,924	300,540	-	-	-	-
18,328	507,105	6,103,701	1,332,545	437,737	53,914,070	-
-	473,856	830,900	445,082	-	-	-
-	115,875	167,483	205,010	-		-
-	-	-	-	437,737	53,932,465	-
-	14,537,780	5,195,597	564,816	-	-	-
-	201,748	-	5,426	-	-	-
-	1,751	669	6,480	-	-	-
-	-	29,991	-	-	-	-
-	15,331,010	6,224,640	1,226,814	437,737	53,932,465	-
18,328	(14,823,905)	(120,939)	105,731	-	(18,395)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	672,503	220	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	672,503	220	-	-	-	-

KERN COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN FUND EQUITY - DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY

YEAR ENDED JUNE 30, 2011

	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund
Income (loss) before other revenues and expenditures	6,514,876	(7,849,519)	(2,919,303)	(663,988)
OTHER REVENUES AND EXPENDITURES				
State apportionments, capital	-	-	-	-
Local property taxes and revenues, capital	-	9,468,862	-	-
Gifts and grants, capital	-	-	-	-
Excess of revenues over (under) expenditures	6,514,876	1,619,343	(2,919,303)	(663,988)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	557,275	-	13,090,503	1,062,374
Operating transfers out	(16,718,703)	(25,000)	-	(184,521)
Bonds issued	-	-	-	-
Premium (discount) on bond issuance	-	-	-	-
Total other financing sources (uses)	(16,161,428)	(25,000)	13,090,503	877,853
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(9,646,552)	1,594,343	10,171,200	213,865
FUND EQUITY (DEFICIT), BEGINNING OF YEAR	44,406,155	23,396,920	60,474,931	57,670
FUND EQUITY (DEFICIT), END OF YEAR	$ 34,759,603	$ 24,991,263	$ 70,646,131	$ 271,535

(Continued on following page)

The accompanying notes to the supplementary information are an integral part of this supplementary information.

Other Special Revenue Fund	Capital Outlay Projects Fund	Bookstore Fund	Cafeteria Fund	Student Financial Aid Fund	Other Trust Fund	Associated Students Trust Fund
18,328	(14,151,402)	(120,719)	105,731	-	(18,395)	-
-	1,025,570	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
18,328	(13,125,832)	(120,719)	105,731	-	(18,395)	-
-	2,268,859	-	-	-	-	-
-	-	(50,787)	-	-	-	-
-	1,980,000	-	-	-	-	-
-	-	-	-	-	-	-
-	4,248,859	(50,787)	-	-	-	-
18,328	(8,876,973)	(171,506)	105,731	-	(18,395)	-
232,212	64,263,060	2,507,195	154,774	90,891	(48,264)	-
$ 250,540	$ 55,386,087	$ 2,335,689	$ 260,505	$ 90,891	$ (66,659)	$ -

KERN COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN FUND EQUITY - DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY

YEAR ENDED JUNE 30, 2011

	Student Representation Fee Trust Fund	Student Body Center Fee Trust Fund	Total
OPERATING REVENUES			
Tuition and fees	$ -	$ -	$ 17,016,895
Less: scholarship discount and allowance	-	-	9,651,651
Net tuition and fees	-	-	7,365,244
Grants and contracts, non-capital:			
Federal	-	-	57,075,138
State	-	-	13,706,432
Local	-	-	2,651,930
Auxiliary enterprise sales and charges	-	-	7,199,433
Other operating revenues	-	-	6,553,412
Total operating revenues	-	-	94,551,589
OPERATING EXPENDITURES/EXPENSES			
Salaries	-	-	77,080,984
Employee benefits	-	-	20,451,641
Payments to students	-	-	54,616,407
Supplies, materials, and other operating expenditures/expenses and services	-	-	40,931,105
Capital outlay	-	-	1,733,367
Utilities	-	-	3,118,561
Depreciation	-	-	29,991
Total operating expenditures/expenses	-	-	197,962,056
OPERATING INCOME (LOSS)	-	-	(103,410,467)
NON-OPERATING REVENUES (EXPENDITURES)			
State apportionments, non-capital	-	-	53,527,889
Local property taxes	-	-	44,325,964
State taxes and other revenues	-	-	3,707,191
Investment income, non-capital	-	-	2,705,725
Debt service	-	-	(19,257,660)
Cost of issuance	-	-	-
Other non-operating expenditures/expenses	-	-	(683,033)
Total non-operating revenues (expenditures)	-	-	84,326,076

(Continued on following page)

The accompanying notes to the supplementary information are an integral part of this supplementary information.

KERN COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN FUND EQUITY - DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY

YEAR ENDED JUNE 30, 2011

	Student Representation Fee Trust Fund	Student Body Center Fee Trust Fund	Total
Income (loss) before other revenues and expenditures	-	-	$ (19,084,391)
OTHER REVENUES AND EXPENDITURES			
State apportionments, capital	-	-	1,025,570
Local property taxes and revenues, capital	-	-	9,468,862
Gifts and grants, capital	-	-	-
Excess of revenues over (under) expenditures	-	-	(8,589,959)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	16,979,011
Operating transfers out	-	-	(16,979,011)
Limited obligation improvement bonds issued	-	-	1,980,000
Premium (discount) on bond issuance	-	-	-
Total other financing sources (uses)	-	-	1,980,000
Excess of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(6,609,959)
FUND EQUITY (DEFICIT), BEGINNING OF YEAR	-	-	195,535,544
FUND EQUITY (DEFICIT), END OF YEAR	$ -	$ -	$ 188,925,585

The accompanying notes to the supplementary information are an integral part of this supplementary information.

KERN COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF FUND EQUITY TO NET ASSETS

JUNE 30, 2011

Total Fund Equity - District Funds Included in the Reporting Entity		$ 188,925,585
Assets recorded within the GASB 35 Statement of Net Assets not included in the District fund financial statements:		
Depreciable capitalized assets	$ 211,633,989	
Accumulated depreciation	(77,351,707)	134,282,282
Nondepreciable capital assets		95,719,204
Other post employment benefits obligation		72,709,380
Excess insurance reserve		350,000
Deferred costs, net		3,611,203
Liabilities recorded within the GASB 35 Statement of Net Assets not recorded in the District fund financial statements:		
Accounts payable:		
Interest payable		(1,741,956)
Retentions payable		(2,503,138)
Compensated absences	(2,440,828)	
Long-term debt	(317,359,048)	(319,799,876)
Net assets reported within the GASB 35 Statement of Net Assets		$ 171,552,684

The accompanying notes to the supplementary information are an integral part of this supplementary information.

KERN COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF CHANGE IN FUND EQUITY
TO INCREASE IN NET ASSETS

YEAR ENDED JUNE 30, 2011

Total Net Change in Fund Equity - District Funds Included in the Reporting Entity	$ (6,609,959)
Compensated absence expense addition reported within GASB 35 Statements	511,582
Depreciation expense reported within GASB 35 Statements	(7,213,495)
Amortization of bond issuance cost reported within the GASB 35 Statements	(311,763)
Amortization of bond premium reported within the GASB 35 Statements	155,725
Capital outlay expense not reported within the GASB 35 Statements	16,989,397
Retentions payable reported within the GASB 35 Statements	(1,318,415)
Excess insurance reserve reported within the GASB 35 Statements	350,000
Increase in interest expense for capital asset related debt reported within the GASB 35 Statements	(3,825,522)
Principal payments on debt not reported within the GASB 35 Statements	6,640,000
Proceeds from debt not reported within the GASB 35 Statements	(1,980,000)
Prepaid expense of other post employment benefits reported within the GASB 35 Statements	(4,868,784)
Net change in net assets reported within the GASB 35 Statement of Revenues, Expenses, and Changes in Net Assets	$ (1,481,234)

The accompanying notes to the supplementary information are an integral part of this supplementary information.

NOTE 1 PURPOSE OF SCHEDULES

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

The audit of the Kern Community College District for the year ended June 30, 2011 was conducted in accordance with OMB Circular A-133, which requires disclosure of the financial activities of all federally funded programs. To comply with A-133 and state requirements, the Schedule of Expenditures of Federal Awards and Schedule of State Financial Awards were prepared for the Kern Community College District.

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

Schedule of Workload Measures for State General Apportionment

The Schedule of Workload Measures for State General Apportionment Annualized Attendance as of June 30, 2011, represents the basis of apportionment of the Kern Community College District's annual source of funding.

Reconciliation of Annual Financial and Budget Report (CCFS-311) with District Accounting Records

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.

(Continued on following page)

NOTE 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 Statement 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 deferred revenue on its combining balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues 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 deferred revenue is removed and revenue is recognized.

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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*

Board of Trustees
Kern Community College District
Bakersfield, California

We have audited the financial statements of the business-type activities of the Kern Community College District (District) as of and for the years ended June 30, 2011 and 2010, which comprise the District's basic financial statements and have issued our report thereon dated November 29, 2011. We conducted our audits 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 standards prescribed by the State Department of Finance.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain other matters that we have reported to management of the District in a separate letter dated November 29, 2011.

This report is intended solely for the information and use of the audit committee, Board of Trustees, management, others within the entity, federal awarding agencies, Chancellor's Office, State Department of Finance, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Matson and Isom

November 29, 2011

MATSON and ISOM
CERTIFIED PUBLIC ACCOUNTANTS

REDDING, CALIFORNIA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Kern Community College District
Bakersfield, California

Compliance

We have audited the compliance of Kern Community College District (District) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, Board of Trustees, management, others within the entity, federal awarding agencies, Chancellor's Office, State Department of Finance, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Matson and Isom

November 29, 2011

MATSON and ISOM
CERTIFIED PUBLIC ACCOUNTANTS

REDDING, CALIFORNIA

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
Kern Community College District
Bakersfield, California

We have audited the accompanying financial statements of the business-type activities of Kern Community College District (District) as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated November 29, 2011.

Our audit was conducted 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the standards prescribed by the State Department of Finance and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following state laws and regulations in accordance with Section 400 of the Chancellor's Office's *California Community Colleges Contracted District Audit Manual* (CDAM):

ANNUAL COMPLIANCE FOCUS

421. Salaries of Classroom Instructors: 50 Percent Law

423. Apportionment for Instructional Service Agreements/Contracts

424. State General Apportionment Required Data Elements

425. Residency Determination for Credit Courses

426. Students Actively Enrolled

427. Concurrent Enrollment of K-12 Students in Community College Credit Courses

431. GANN Limit Calculation

432. Enrollment Fee

433. CalWORKs – Use of State and Federal TANF Funding

435. Open Enrollment

437. Student Fee – Instructional Materials and Health Fees

473. Economic and Workforce Development (EWD)

474. Extended Opportunity Programs and Services (EOPS)

475. Disabled Student Programs and Services (DSPS)

477. Cooperative Agencies Resources for Education (CARE)

478. Preference for Veterans and Qualified Spouses for Federally Funded Qualified Training Programs

479. To Be Arranged Hours (TBA)

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our audit.

Our audit was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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. Our audit does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, except for the finding 2011-1, described in the accompanying schedule of findings and questioned costs, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2011.

This report is intended solely for the information and use of the District's management, the Board of Trustees, audit committee, others within the District, California Community Colleges Chancellor's Office, California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Matson and Isom

November 29, 2011

KERN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

A. SUMMARY OF AUDITORS' RESULTS

1. The Independent Auditors' Report expresses an unqualified opinion on the financial statements of Kern Community College District.

2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.

3. No instances of noncompliance material to the financial statements of Kern Community College District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

5. The Independent Auditors' Report on compliance for the major federal award programs for Kern Community College District expresses an unqualified opinion on all major federal programs.

6. There are no audit findings (relative to the major federal award programs for Kern Community College District) that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

7. The programs tested as major programs include: 1) Federal Supplemental Educational Opportunity Grants Program (CFDA 84.007); Federal Direct Student Loans (CFDA 84.268); Federal Family Education Loan Program (CFDA 84.032); Federal Work Study Program (CFDA 84.033); Academic Competitiveness Grant (CFDA 84.375); and Federal Pell Grant Program (CFDA 84.063), which, together comprise the student financial aid "cluster" program as defined in the Compliance Supplement. 2) Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors (CFDA 17.275) 3) WIA Adult Program (CFDA 17.258) State Energy Program (CFDA 81.041), Higher Education-Institutional Aid (CFDA 84.031), and Vocational Education-Tech Prep (84.243).

8. The threshold used for distinguishing between Type A and B programs was $300,000.

9. Kern Community College District was determined to be as a low-risk auditee.

KERN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2011

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

D. FINDINGS – STATE COMPLIANCE AUDIT

2011-1 – EOPS

Statement of Condition: During our testing of EOPS, we noted one student that received EOPS services from the Porterville campus that was not a California resident and was therefore not eligible to receive EOPS services.

Cause of Condition: Oversight in initial review of the EOPS applicant.

Effect of Condition: Such student received $325 in services from the EOPS program that she was not eligible to receive.

Recommendation: We recommend that the District institute a process to confirm the residency status of all EOPS applicants.

Response: The District plans to review the requirements with all EOPS staff to ensure only California residents who meet the requirements receive EOPS/CARE funds and services.

KERN COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011

FINDINGS – STATE COMPLIANCE AUDIT

2010-1 – Open Enrollment

Statement of Condition: During our testing of open enrollment, we noted multiple courses listed in the class schedule that appeared to limit enrollment. Although the District's procedures over enrollment in these courses was not restrictive, the descriptions were. The descriptions included notes that the classes were designed for a specific type of student. However, the courses did not meet the requirements for limitation on enrollment and the descriptions did not affirm the availability of the course to all qualified students.

Cause of Condition: Lack of required verbiage affirming the availability of the course to all qualified students.

Effect of Condition: Students may be discouraged from enrolling in these courses because the descriptions indicate they are only for certain students.

Recommendation: For all courses designed to meet certain specialized needs or designed for certain students, we recommend the District also include verbiage affirming the availability of the course to all qualified students.

Response: The District will include the recommended verbiage to meet the expectations of "open enrollment."

Status: We noted no such classes in the current year.

KERN COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2011

FINDINGS – STATE COMPLIANCE AUDIT
(Continued)

2009-3 – Concurrent Enrollment

Statement of Condition: In a sample of thirty-six students in the prior year, one student file did not contain required documentation of the recommendation of the student's principal or school's authorized agent to enroll in community college courses.

Cause of Condition: The individual campuses need to be more diligent in their review and acceptance of concurrent enrollment applications.

Effect of Condition: The District was not in compliance with the Chancellor's Office requirements.

Recommendation: We recommended the District implement procedures to ensure that required principal or authorized agent recommendations are obtained from all concurrent enrollment students claimed for FTES.

Status: All of the students tested in the current year had the required authorization forms.

MATSON and ISOM
CERTIFIED PUBLIC ACCOUNTANTS

REDDING, CALIFORNIA

INDEPENDENT AUDITORS' COMMUNICATION TO THE AUDIT COMMITTEE

Audit Committee
Board of Trustees
Kern Community College District
Bakersfield, California

In planning and performing our audit of the basic financial statements of Kern Community College District (District) for the year ended June 30, 2011, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control.

This letter does not affect our report dated November 29, 2011, on the financial statements of Kern Community College District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2011-1 Direct Loans

Finding

One of the requirements of the Direct Loan Student Financial Aid program is that the District reconcile the School Account Statement (SAS) data file monthly to the internal financial records. The District was not performing such reconciliations.

Recommendation

We recommend that the District develop a procedure to reconcile these amounts monthly.

FOLLOW UP ON PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2009-2 – RETURN TO TITLE IV FUNDS

Finding

The District did not submit credits or payments to Title IV programs for unearned assistance within the required 45 days after the date the District determined that the student withdrew from the Porterville and Cerro Coso campuses. OMB Circular A-133 – Clusters – Student Financial Assistance Programs, Part N(4), requires institutions return Title IV funds no later than 45 days after the date the institution determines the student withdrew from a class or no later than 30 days after it determines that a student will not or has not begun attendance.

Recommendation

We recommended that the District develop procedures to assure that all funds are returned within 45 days of notification that a student has dropped.

Response

Financial Aid departments will use the process and worksheet the District's analyst developed, which populates much of the needed student data from Banner. Financial Aid departments will also add a check-off list on the worksheet to ensure that all the steps are properly completed and the funds returned. A Financial Aid Technician will also be trained as a backup in the completion of the Return to Title IV process. Financial Aid will continue discussions with the KCCD Banner Financial Aid Team to improve the Banner automation of Return to Title IV.

Status

We continue to note late return of Title IV funds.

We would like to thank District management and staff for their assistance throughout the audit engagement. We appreciate the opportunity of serving as independent auditors for the Kern Community College District for the year ended June 30, 2011. If we can provide additional information or assistance in connection with implementing any of our recommendations, we will be pleased to do so.

This report is intended solely for the information and use of the audit committee, Board of Trustees, management, federal awarding agencies, Chancellor's Office, State Department of Finance, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Matson and Isom

MATSON AND ISOM
Certified Public Accountants

November 29, 2011