

Kern Community College District

Bakersfield, California

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORTS**

June 30, 2016

Kern Community College District

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Kern Community College District (the District), as of and for the year ended June 30, 2016; and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of June 30, 2016; and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 7 and the required supplementary information on pages 45 to 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information on pages 53 to 74, and the schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 53 to 74 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT

(Continued)

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

Other Reporting Required by *Government Auditing Standards*

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

DATE

Redding, California

FINANCIAL SECTION

OVERVIEW

The 2015-16 California state budget continued to provide increased resources for the States Community Colleges. The State's economy is continuing to expand providing additional tax revenues available for State funded programs. The District accordingly experienced continued growth in its funding resources.

The District continues to take a conservative approach to the fiscal changes occurring at the State due to a couple of key issues that will adversely impact future State revenues. The first part of the Proposition 30 temporary State tax increases (sales tax) sunsets at the end of 2016. The voters in the November 2016 election extended the sunset date for the second component of the increase (personal income tax) now sun setting in 2030. The impact of the sales tax increase sun setting, is projected to have minimal impact on the District revenues due to the majority of the Proposition 30 revenues being generated by personal income taxes. This change has decreased the potential of a significant revenue reduction in 2018-19 fiscal year. Currently fifteen percent (15%) of the District's unrestricted revenues are funded by Proposition 30 receipts. In addition, the current economic recovery is in its eighth year. Thus the likelihood of an economic downturn resulting in a recession sometime in the near future is a virtual certainty when looking back on the average historical lengths of economic cycles of expansion and recession. Due to these issues which create uncertainty with the State budget, the District believes it needs to continue to position itself for a long term financial downturn. The District continues to evaluate and identify opportunities for expenditure controls, organizational enhancements, reserve management and conservative budget planning and student enrollment management practices.

STATEMENT OF NET POSITION

Overall the District's revenues exceeded expenditures resulting in an increase in net position of \$20 million, increasing from \$84.7 million to \$104.7 million.

The District's total assets increased by \$27.1 Million. This change is largely due to an increase in current and non-current cash of \$18.9 million, accounts receivable increase of \$2.1 million and a \$1.6 million increase in prepaid expenses and other current assets and non-depreciable capital assets increase of \$13.5 million due to completion of several construction projects. These increases were partially offset by a decreases in prepaid OPEB amounts of \$5.5 million and decrease in restricted investments of \$6.3 million for debts service requirements.

The Districts total liabilities increased \$7.1 million. This increase is primarily due to an increase in pension liabilities of \$11.0 million, increase in accounts payable of \$1.9 million and increase in deferred revenues of \$8.2 million due to increase in multiyear grant funding. These increases were partially offset by a \$7.8 million decrease in deferred inflows related to pensions and bonds and leases payable of \$6.4 million.

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

Condensed Statement of Net Position

June 30	2016	2015	Change	% Change
Assets				
Current assets:				
Cash and cash equivalents	\$ 112,357,729	\$ 52,949,326	\$ 59,408,403	112.2%
Accounts receivable - net	10,222,311	8,090,479	2,131,832	26.3%
Prepaid expenses	2,424,046	779,295	1,644,751	211.1%
Inventories	21,956	21,502	454	2.1%
Total Current Assets	125,026,042	61,840,602	63,185,440	102.2%
Noncurrent assets:				
Restricted cash and cash equivalents	54,058,879	94,550,391	(40,491,512)	-42.8%
Restricted investments	17,866,591	24,223,326	(6,356,735)	-26.2%
Other post employment benefits asset	45,990,800	51,513,364	(5,522,564)	-10.7%
Nondepreciable capital assets	66,942,387	50,374,592	16,567,795	32.9%
Depreciable capital assets - net	216,340,205	219,355,001	(3,014,796)	-1.4%
Total Noncurrent Assets	401,198,862	440,016,674	(38,817,812)	-8.8%
TOTAL ASSETS	\$ 526,224,904	\$ 501,857,276	\$ 24,367,628	4.9%
Deferred Outflow of Resources	\$ 12,956,370	\$ 10,214,987	\$ 2,741,383	26.8%

June 30	2016	2015	Change	% Change
Liabilities				
Current liabilities:				
Accounts payable	\$ 17,698,641	\$ 15,759,637	\$ 1,939,004	12.3%
Advances from grantors and students	11,793,354	3,623,967	8,169,387	225.4%
Compensated absences - current portion	2,310,891	1,815,011	495,880	27.3%
Long-term debt - current portion	10,559,284	9,868,753	690,531	7.0%
Amounts held in trust for others	910,753	861,498	49,255	5.7%
Total Current Liabilities	43,272,923	31,928,866	11,344,057	35.5%
Noncurrent liabilities:				
Compensated absences - noncurrent portion	570,229	892,709	(322,480)	-36.1%
Net pension liabilities	81,140,433	70,048,640	11,091,793	15.8%
Long-term debt - noncurrent portion	296,813,429	303,950,220	(7,136,791)	-2.3%
Total Noncurrent Liabilities	378,524,091	374,891,569	3,632,522	1.0%
Total Liabilities	\$ 421,797,014	\$ 406,820,435	\$ 14,976,579	3.7%
Deferred Inflow of Resources	\$ 12,684,225	\$ 20,519,459	\$ (7,835,234)	100.0%
Net Position				
Net investment in capital assets	\$ 97,060,718	\$ 85,962,058	\$ 11,098,660	12.9%
Restricted - expendable	25,294,939	33,242,370	(7,947,431)	-23.9%
Unrestricted	(17,655,622)	(34,472,059)	16,816,437	-48.8%
TOTAL NET POSITION	\$ 104,700,035	\$ 84,732,369	\$ 19,967,666	23.6%

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Overall the District's net position increased by \$20 million, increasing from \$84.7 million to \$104.7 million. This increase was primarily due to increases in State apportionments, State tax and local property tax revenues exceeding expenditures incurred.

Revenues of \$239 million exceeded expenditures of \$219 million, resulting in an increase in net position of \$20 million. Revenues increased \$36.6 million from the prior year. This change was primarily due to increases of State appropriations non-capital of \$11.6 million, local property taxes of \$9.0 million, State grants and contracts – non -capital of \$6.9 million and State taxes and other revenues of \$11.2 million.

Expenditures increased a net \$19.4 million from the prior year. This change was primarily due to \$14.8 million staffing and salary increases, increase in supplies, materials and other expenses of \$3.9 million and increase in depreciation expense of \$2.6 million.

Condensed Statement of Revenues, Expenses and Changes in Net Position

Years Ended June 30	2016	2015	Change	% Change
Operating revenues	\$ 44,812,289	\$ 37,221,050	\$ 7,591,239	20.4%
Operating expenses	156,518,921	135,612,099	20,906,822	15.4%
Operating Loss	(111,706,632)	(98,391,049)	(13,315,583)	13.5%
Nonoperating revenues and expenses	132,281,794	103,357,496	28,924,298	28.0%
Income Before Other Revenue and Expenses	20,575,162	4,966,447	15,608,715	314.3%
Other revenue and expenses	(607,496)	(2,088,874)	1,481,378	-70.9%
Change in Net Position	\$ 19,967,666	\$ 2,877,573	\$ 17,090,093	593.9%

Condensed Statement of Cash Flows

Years Ended June 30	2016	2015	Change	% Change
Cash received from operations	\$ 46,830,792	\$ 38,186,792	\$ 8,644,000	22.6%
Cash expended for operations	(136,759,513)	(124,927,714)	(11,831,799)	9.5%
Net Cash Used by Operating Activities	(89,928,721)	(86,740,922)	(3,187,799)	3.7%
Net cash provided by noncapital financing activities	131,903,425	114,632,431	17,270,994	15.1%
Net cash provided (used) by capital and related financing activities	(29,755,074)	(45,252,624)	15,497,550	-34.2%
Net cash provided by investing activities	6,697,261	19,253,022	(12,555,761)	-65.2%
Net Change in Cash and Cash Equivalents	18,916,891	1,891,907	17,024,984	899.9%
Cash and Cash Equivalents - Beginning of Year	147,499,717	145,607,810	1,891,907	1.3%
Cash and Cash Equivalents - End of Year	\$ 166,416,608	\$ 147,499,717	\$ 18,916,891	12.8%

Kern Community College District
STATEMENT OF NET POSITION

June 30, 2016

ASSETS

Current Assets

Cash and cash equivalents	\$ 89,729,445
Restricted cash and cash equivalents - current	22,628,284
Accounts receivable - net	10,222,311
Prepaid expenses	2,424,046
Inventories	21,956

Total Current Assets 125,026,042

Noncurrent Assets

Restricted cash and cash equivalents - noncurrent	54,058,879
Restricted investments	17,866,591
Other postemployment benefits asset	45,990,800
Depreciable capital assets - net	216,340,205
Nondepreciable capital assets	66,942,387

Total Noncurrent Assets 401,198,862

TOTAL ASSETS 526,224,904

Deferred Outflow of Resources

Deferred outflow related to pensions	10,167,169
Deferred loss on refunding - net	2,789,201

Total Deferred Outflow of Resources 12,956,370

LIABILITIES

Current Liabilities

Accounts payable	17,698,641
Advances from grantors and students	11,793,354
Compensated absences - current portion	2,310,891
Long-term debt - current portion	10,559,284
Amounts held in trust for others	910,753

Total Current Liabilities 43,272,923

Noncurrent Liabilities

Compensated absences - noncurrent portion	570,229
Net pension liabilities	81,140,433
Long-term debt - noncurrent portion	296,813,429

Total Noncurrent Liabilities 378,524,091

TOTAL LIABILITIES 421,797,014

Deferred Inflow of Resources

Deferred inflow related to pensions	12,684,225
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NET POSITION

Net investment in capital assets	97,060,718
Restricted - expendable	25,294,939
Unrestricted	(17,655,622)

TOTAL NET POSITION \$ 104,700,035

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

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

Year Ended June 30, 2016

Operating Revenues	
Tuition and fees	\$ 27,653,990
Less: Scholarship discounts and allowances	18,350,431
Net Tuition and Fees	9,303,559
Grants and contracts - noncapital:	
Federal	4,390,543
State	26,735,329
Local	1,684,574
Auxiliary enterprise sales and charges	1,772,206
Other operating revenue	926,078
Total Operating Revenues	44,812,289
Operating Expenses	
Salaries	86,584,363
Employee benefits	31,391,185
Supplies, materials, and other operating expenditures	26,020,489
Utilities	2,781,509
Depreciation	9,261,722
Payments to students	479,653
Total Operating Expenses	156,518,921
Operating Loss	(111,706,632)
Nonoperating Revenues (Expenses)	
State apportionments - noncapital	43,498,698
Education protection account revenues - noncapital	18,127,790
Local property taxes - noncapital	55,502,848
State taxes and other revenues - noncapital	15,633,856
Investment income - noncapital	340,526
Financial aid revenues - federal	42,129,480
Financial aid revenues - state	5,205,407
Financial aid disbursements	(47,343,193)
Other nonoperating revenues (expenses) - noncapital	(813,618)
Total Nonoperating Revenues (Expenses)	132,281,794
Income Before Other Revenues and Expenses	20,575,162
Other Revenues, Expenses, Gains or Losses	
Local property taxes and revenues - capital	12,628,447
Cost of bond issuance	(417,444)
Investment income - capital	997,325
Interest expense - capital asset-related debt	(13,815,824)
Total Other Revenues, Expenses, Gains or Losses	(607,496)
Change in Net Position	19,967,666
Net Position - Beginning of Year	84,732,369
Net Position - End of Year	\$ 104,700,035

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

Kern Community College District
STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 8,783,492
Federal grants and contracts	4,815,434
State grants and contracts	30,639,310
Local grants and contracts	2,592,556
Payments to/on behalf of employees	(87,664,384)
Payments for benefits	(25,657,128)
Payments for scholarships and grants	(479,653)
Payments to suppliers	(21,538,117)
Payments for utilities	(2,781,509)
Auxiliary enterprise sales and charges	1,772,206
Other receipts	(410,928)

NET CASH USED BY OPERATING ACTIVITIES (89,928,721)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments - noncapital	43,732,061
Education protection account revenues	18,127,790
Local property taxes	55,502,848
Financial aid revenues - federal	42,129,480
Financial aid revenues - state	5,205,407
Financial aid disbursements	(47,343,193)
State taxes and other revenues	15,362,650
Other receipts (payments)	(813,618)

NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES 131,903,425

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Local property taxes - capital	12,628,447
Purchases of capital assets	(22,581,513)
Interest paid on capital debt	(16,842,930)
Interest on investments - capital	997,325
Bond proceeds received	33,326,589
Principal paid on capital debt	(37,282,992)

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES (29,755,074)

CASH FLOWS FROM INVESTING ACTIVITIES

Sale of investments	12,580,517
Purchase of investments	(6,223,782)
Interest on investments - noncapital	340,526

NET CASH PROVIDED BY INVESTING ACTIVITIES 6,697,261

Net Change in Cash and Cash Equivalents 18,916,891

Cash and Cash Equivalents - Beginning of Year 147,499,717

Cash and Cash Equivalents - End of Year \$ 166,416,608

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

Kern Community College District

STATEMENT OF CASH FLOWS

(Continued)

Year Ended June 30, 2016

COMPONENTS OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents	\$ 89,729,445
Restricted cash and cash equivalents - current	22,628,284
Restricted cash and cash equivalents - noncurrent	54,058,879

TOTAL CASH AND CASH EQUIVALENTS	\$ 166,416,608
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RECONCILIATION OF OPERATING LOSS TO NET

CASH USED BY OPERATING ACTIVITIES

Operating loss	\$ (111,706,632)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	9,261,722
Allowance for doubtful accounts	571,453
Deferred outflow related to pension	(3,045,066)
Net pension liabilities	11,091,793
Deferred inflow related to pension	(7,835,234)
Other postemployment benefit asset	5,522,564
Changes in:	
Accounts receivable	(2,665,442)
Prepaid expenses	(1,644,751)
Inventories	(454)
Accounts payable	2,129,284
Advances from grantors and students	8,169,387
Compensated absences	173,400
Amounts held in trust for others	49,255

NET CASH USED BY OPERATING ACTIVITIES	\$ (89,928,721)
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The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Implementation of New Accounting Standards The District adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, for the fiscal year ended June 30, 2016. This statement improves financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. As a result, assets subject to fair value measurement have been reported in accordance with the guidance of this statement.

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

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

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities (BTA). Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and 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 advances from grantors and students as of June 30 with the revenue being reported in the fiscal year in which the program is predominately conducted.

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

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

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

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

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

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

Accounts Receivable Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the state of California. Accounts receivable also include amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District’s grants and contracts. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. The allowance for uncollectible accounts is calculated by applying certain percentages to each aging group. The allowance was estimated at \$3,993,748 for the year ended June 30, 2016.

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

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

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

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

Capitalized interest consisted of the following:

June 30, 2016	
Interest incurred	\$ 14,230,752
Less: Amount expensed	13,815,824
Amount to be Capitalized	414,928
Reduced by interest earned	55,570
Capitalized Interest - Net	\$ 359,358

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

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

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

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

Long-Term Liabilities Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which does not differ materially from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expenses in the year incurred. Amortization of bond premiums and discount costs was \$733,758 for the year ended June 30, 2016.

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

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

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

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

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

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

A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt.

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

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

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

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

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

Kern Community College District
NOTES TO THE FINANCIAL STATEMENTS
(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, including state appropriations, local property taxes, and investment income. Revenues are classified according to the following criteria:

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

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

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

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

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

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

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

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

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

On-Behalf Payments GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits, and salaries made by an entity to a third-party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to CalSTRS and CalPERS on behalf of all community college districts in California. The amount reported in the basic financial statements as of June 30, 2016, was \$357,425.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The cash and cash equivalents are as follows:

June 30, 2016

Cash and cash equivalents	\$ 89,729,445
Restricted cash and cash equivalents	76,687,163
Total Cash and Cash Equivalents	\$ 166,416,608

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

June 30, 2016

Cash in County treasury	\$ 160,329,806
Cash on hand and in banks	6,082,498
Cash held by trustees	4,304
Total Deposits	\$ 166,416,608

As provided for by *California Education Code*, Section 41001, a significant portion of the District's cash balances of most funds is deposited with the Kern County Treasurer for the purpose of increasing interest earned through County investment activities. The County Treasury's Pooled Money Investment account's weighted average maturities were less than two years at June 30, 2016, and the pool is unrated.

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

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

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

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

All cash held by financial institutions is collateralized by securities that are held by the broker or dealer, or by its trust department or agent, but not in the District's name. In addition, \$1,455,479 of the bank balances at June 30, 2016, are insured.

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

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

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

The District's restricted investments are as follows:

June 30, 2016	Level 1	Level 2
County treasury pool	\$ -	\$ 160,329,806
Investments in LAIF	-	893,676
Bank clearing account	424,429	-
Certificates of deposit	3,130,889	-
Money market	107,123	-
Municipal bonds	-	4,827,488
Corporate bonds and notes:		
Communication	-	257,763
Energy	-	54,416
Financial services	-	1,798,850
Healthcare	-	276,492
Utilities	-	107,305
Other	-	1,135,493
U.S. Government agency securities	4,852,667	-
Total Investments	\$ 8,515,108	\$ 169,681,289

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

Interest Rate Risk

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

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

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

2. The District also diversifies through investing in credit quality securities. Over 48% of the portfolio is currently weighted in AAA-rated securities. These securities tend to perform better in volatile interest rate environments. The District’s bias is to keep a solid majority of the portfolio in AAA-rated securities at all times for capital preservation purposes.

3. The District invests in “step-up” coupon bonds and some “floating-rate” debt in the portfolio. This also assists in cushioning the portfolio from credit risk during periods of higher interest rates.

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

June 30, 2016	Fair Value	Investment Maturities		
		Less Than One Year	One to Five Years	More Than Five Years
Investment in LAIF	\$ -	\$ -	\$ -	\$ -
Bank clearing account	424,429	424,429	-	-
Certificates of deposit	3,130,889	-	2,753,641	377,248
Municipal bonds	-	-	4,238,393	589,095
Money market	107,123	107,123	-	-
Corporate bonds and notes	-	-	3,575,903	54,416
U.S. Government agency securities	4,852,667	-	4,219,792	632,875
Total Investments	\$ 8,515,108	\$ 531,552	\$ 14,787,729	\$ 1,653,634

Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by ratings assigned by nationally-recognized organizations. The following represents the actual ratings of the investment types:

June 30, 2016	Fair Value	Investment Ratings				
		AAA	AA	A	BAA	Unrated
Investment in LAIF	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bank clearing account	424,429	-	-	-	-	424,429
Certificates of deposit	3,130,889	3,130,889	-	-	-	-
Municipal bonds	-	1,309,324	3,135,086	383,078	-	-
Money market	107,123	107,123	-	-	-	-
Corporate bonds and notes	-	373,403	2,159,728	1,097,188	-	-
U.S. Government agency securities	4,852,667	4,852,667	-	-	-	-
Total Investments	\$ 8,515,108	\$ 9,773,406	\$ 5,294,814	\$ 1,480,266	\$ -	\$ 424,429

Concentration risk is defined as positions of 5% or more in the securities of a single issuer. The District’s investment policy contains no limitations on the amount that can be invested in any single issuer. A total of 27% of the District’s investments are in Federal National Mortgage Association and Federal Home Loan Bank, which are U.S. government-sponsored enterprises.

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

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

Custodial Credit Risk

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

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

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

June 30, 2016	
Tuition and fees	\$ 5,671,926
Less: Allowance for doubtful accounts	3,993,748
Tuition and Fees - Net	1,678,178
Federal grants and contracts	732,011
State grants and contracts	3,365,041
Local grants and contracts	1,229,073
State taxes and other revenues	1,351,205
Other	1,866,803
Total	\$ 10,222,311

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

4. CAPITAL ASSETS

Capital assets activity is summarized as follows:

	Balance June 30, 2015	Additions	Deductions	Transfers	Balance June 30, 2016
Nondepreciable Capital Assets					
Land	\$ 15,675,746	\$ -	\$ -	\$ 3,601,800	\$ 19,277,546
Construction in progress	34,698,846	19,813,137	-	(6,847,142)	47,664,841
Total Nondepreciable Capital Assets	\$ 50,374,592	\$ 19,813,137	\$ -	\$ (3,245,342)	\$ 66,942,387
Depreciable Capital Assets					
Site improvements	\$ 7,142,579	\$ -	\$ -	\$ 858,366	\$ 8,000,945
Joint use facilities agreements	7,448,375	-	-	-	7,448,375
Buildings and improvements	269,149,312	477,393	-	2,386,976	272,013,681
Equipment	19,100,597	1,609,858	-	-	20,710,455
Computer equipment	17,947,528	687,214	-	-	18,634,742
Vehicles	2,552,635	227,119	-	-	2,779,754
Total Depreciable Capital Assets	323,341,026	3,001,584	-	3,245,342	329,587,952
Less: Accumulated depreciation	103,986,025	9,261,722	-	-	113,247,747
Total Depreciable Assets - Net	\$ 219,355,001	\$ (6,260,138)	\$ -	\$ 3,245,342	\$ 216,340,205

5. ACCOUNTS PAYABLE

Accounts payable consisted of the following:

June 30, 2016

Accrued payroll and related liabilities	\$ 3,751,422
Construction payables	2,464,152
Interest payable	2,342,827
Other	9,140,240
Total	\$ 17,698,641

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

6. LONG-TERM LIABILITIES

The long-term liability activity is as follows:

June 30, 2016	Beginning Balance	Accretion/ Additions	Reductions	Ending Balance	Current Portion
Certificates of participation	\$ 33,137,703	\$ 31,017,893	\$ 33,227,436	\$ 30,928,160	\$ 1,120,000
Limited obligation improvement bonds	5,265,957	-	55,874	5,210,083	80,000
General obligation improvement bonds	192,898,371	2,655,629	8,813,480	186,740,520	8,130,000
CEC loans	1,891,942	3,000,000	137,992	4,753,950	294,284
Other postemployment benefit bonds	80,625,000	-	885,000	79,740,000	935,000
Subtotal	313,818,973	36,673,522	43,119,782	307,372,713	10,559,284
Compensated absences	2,707,720	2,484,291	2,310,891	2,881,120	2,310,891
Net pension liabilities	70,048,640	11,091,793	-	81,140,433	-
Total Long-Term Liabilities	\$ 386,575,333	\$ 50,249,606	\$ 45,430,673	\$ 391,394,266	\$ 12,870,175

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

June 30, 2016

CERTIFICATES OF PARTICIPATION

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

	\$ 27,285,000
Premium on certificates of participation	3,643,160

CERTIFICATES OF PARTICIPATION - NET 30,928,160

Balance Forward \$ 30,928,160

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

June 30, 2016

Balance Brought Forward	\$ 30,928,160
LIMITED OBLIGATION IMPROVEMENT BONDS	
2010A Lease Revenue Bonds issued in the original amount of \$6,810,000. Final maturity in 2035. Interest rates range from 3.00% to 5.12%.	5,275,000
Less: Discounts	64,917
LIMITED OBLIGATION IMPROVEMENT BONDS - NET	5,210,083
GENERAL OBLIGATION BONDS	
Bonds issued in the original amount of \$7,556,642, including current interest bonds and capital appreciation bonds. Final maturity in 2025. Interest rates range from 4.00% to 5.66%.	2,810,269
Bonds issued in the original amount of \$4,022,236, including current interest bonds and capital appreciation bonds. Final maturity in 2027. Interest rates range from 3.55% to 5.57%.	1,918,135
Bonds issued in the original amount of \$75,240,068, including current interest bonds and capital appreciation bonds. Final maturity in 2028. Interest rates range from 2.00% to 6.78%.	6,059,969
Bonds issued in the original amount of \$49,999,533, including current interest bonds and capital appreciation bonds. Final maturity in 2030. Interest rates range from 4.25% to 5.00%.	57,119,144
Bonds issued in the original amount of \$6,985,000, including current interest bonds and capital appreciation bonds. Final maturity in 2026. Interest rates range from 2.00% to 5.50%.	5,315,000
Bonds issued in the original amount of \$54,800,000, including current interest bonds. Final maturity in 2034. Interest rates range from 2.00% to 5.75%.	53,775,000
Bonds issued in the original amount of \$40,035,000, including current interest bonds. Final maturity in 2021. Interest rates range from 0.0281% to 3.193%.	37,935,000
Bonds issued in the original amount of \$14,370,000, including current interest. Final maturity in 2021. Interest rates range from 2.00% to 5.00%.	14,070,000
Subtotal	179,002,517
Premium on general obligation bonds	7,738,003
GENERAL OBLIGATION BONDS - NET	186,740,520
Balance Forward	\$ 222,878,763

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

June 30, 2016

Balance Brought Forward	\$ 222,878,763
CEC LOAN	
Energy Conservation Assistance Loan with a principal amount of \$2,200,000. Final maturity in 2026, with an interest rate of 3.00%. Interest-only payments until June 2013.	1,753,950
Energy Conservation Assistance Loan with a principal amount of \$3,000,000. Final maturity in 2036, with an interest rate of 0.00%.	3,000,000
CEC LOANS	4,753,950
OTHER POSTEMPLOYMENT BENEFIT BONDS	
2008 Taxable Other Postemployment Benefit (OPEB) Bonds, Series A, issued in the original amount of \$85,880,000. Final maturity in 2047, with an interest rate of 6.01%.	79,740,000
Subtotal	307,372,713
Less: Current portion	10,559,284
Total Long-Term Liabilities - Noncurrent Portion	\$ 296,813,429

Refunded Debt

On January 13, 2016, the District issued \$27,285,000 in 2016 Refunding Certificates of Participation ("2016 Refunding COPs"). The 2016 Refunding COPs were issued to refinance the outstanding 2008 Certificates of Participation. The total gross debt service savings generated as a result of the refunding are \$6,578,127. On a net present value basis, the total savings equaled \$5,479,701.

The District recognized a financial statement loss of \$2,366,810 on the above refunding and it is being amortized over the life of the new debt.

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

Accretion

General obligation bonds as of June 30, 2016, have been increased by \$29,196,436 to include accumulated accretion of the capital appreciation bonds. Annual accretion is recognized as interest in the statement of activities.

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

Year Ending June 30	Principal	Interest	Bonds Total	Bond Premium	Total
2017	\$ 10,559,284	\$ 11,384,917	\$ 21,944,201	\$ 943,290	\$ 22,887,491
2018	11,233,645	11,078,059	22,311,704	943,290	23,254,994
2019	12,048,138	10,714,672	22,762,810	943,290	23,706,100
2020	12,937,665	10,336,316	23,273,981	943,290	24,217,271
2021	13,032,532	9,858,188	22,890,720	943,290	23,834,010
2022-2026	50,086,371	68,105,908	118,192,279	3,087,819	121,280,098
2027-2031	38,117,396	80,282,433	118,399,829	2,536,741	120,936,570
2032-2036	73,640,000	24,244,760	97,884,760	975,236	98,859,996
2037-2041	17,010,000	11,658,799	28,668,799	-	28,668,799
2042-2046	22,785,000	5,893,707	28,678,707	-	28,678,707
2047-2051	5,410,000	325,141	5,735,141	-	5,735,141
Total	\$ 266,860,031	\$ 243,882,900	510,742,931	11,316,246	522,059,177
Less: Interest (exluding accretion of \$29,196,436)			(214,686,464)	-	(214,686,464)
Net Principal			\$ 296,056,467	\$ 11,316,246	\$ 307,372,713

7. OPERATING LEASES

The District leases office and classroom facilities and other equipment under noncancelable operating leases. Total costs for such leases for the year ended June 30, 2016, were \$11,608.

The future minimum lease payments are as follows:

Year Ending June 30	
2017	\$ 9,785
2018	8,484
2019	1,303
Total	\$ 19,572

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

8. EMPLOYEE RETIREMENT SYSTEMS

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

Summary

Net Pension Liability Net pension liability is reported in the accompanying statement of net position as follows:

June 30, 2016

CalSTRS State Teachers' Retirement Plan	\$	51,765,066
CalPERS School Employer Pool		29,375,367
Total Net Pension Liability	\$	81,140,433

Deferred Outflows of Resources Deferred outflows of resources are reported in the accompanying statement of net position as follows:

June 30, 2016	CalSTRS	CalPERS	Total
Difference between expected and actual experience	\$ -	\$ 1,761,761	\$ 1,761,761
Employer contributions	5,248,922	3,156,486	8,405,408
Total Deferred Outflows of Resources	\$ 5,248,922	\$ 4,918,247	\$ 10,167,169

Deferred Inflows of Resources Deferred inflows of resources are reported in the accompanying statement of net position as follows:

June 30, 2016	CalSTRS	CalPERS	Total
Net difference between projected and actual earnings on pension plan investments	\$ 5,103,840	\$ 1,055,514	\$ 6,159,354
Changes in proportion and differences between District contributions and proportionate share of contributions	2,707,671	876,904	3,584,575
Changes in assumptions	1,046,250	1,894,046	2,940,296
Total Deferred Inflows of Resources	\$ 8,857,761	\$ 3,826,464	\$ 12,684,225

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

Pension Expense Pension expense is included in the accompanying statement of revenues, expenses, and changes in net position as follows:

Year Ended June 30, 2016

CalSTRS State Teachers' Retirement Plan	\$	4,773,201
CalPERS School Employer Pool		3,843,700
Total Pension Expense	\$	8,616,901

California State Teachers' Retirement System

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

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

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

Contributions Required member, employer, and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Active plan members of the CalSTRS 2% at 60 formula are required to contribute 9.20% of their salary. Active plan members of the CalSTRS 2% at 62 formula are required to contribute 8.56% of their salary. The required employer contribution rate for fiscal year 2015-16 was 10.73% of annual payroll. State Teachers' Retirement Law also requires the state to contribute 7.391% of the members' creditable earnings from the fiscal year ending in the prior calendar year. The District's contributions to CalSTRS for the fiscal years ended June 30, 2016, were \$5,248,922.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2016, the District reported a net pension liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District, were as follows:

June 30, 2016

District's proportionate share of the net pension liability	\$ 51,765,066
State's proportionate share of the net pension liability associated with the District	21,659,134
Total	\$ 73,424,200

The District's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2015, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2016, the District's proportion was 0.093%.

For the year ended June 30, 2016, the District recognized pension expense of \$357,425 and revenue of \$357,425 for support provided by the state. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	Deferred Inflows Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 5,103,840
Changes in assumptions	-	1,046,250
Changes in proportion and differences between District contributions and proportionate share of contributions	-	2,707,671
District contributions subsequent to the measurement date	5,248,922	-
Total	\$ 5,248,922	\$ 8,857,761

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

The \$5,248,922 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2017	\$ (1,265,394)
2018	(1,265,394)
2019	(1,265,394)
2020	(1,265,394)
2021	(1,265,394)
Thereafter	(2,530,791)
Total	\$ (8,857,761)

Actuarial Assumptions The total pension liability in the June 30, 2014, actuarial valuation for CalSTRS was determined using the following actuarial assumptions and applied to all periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.60%
Interest on accounts	4.50%
Wage growth	3.75%
Consumer price inflation	3.00%
Post-retirement benefit increases	2.00% simple

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

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2006, through June 30, 2010.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS' consulting actuary's (Milliman) investment practice, a best-estimate range was determined by assuming the portfolio is rebalanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return, and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/Liquidity	1%	0.00%
Total	100%	

Discount Rate The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assumes that contributions, benefit payments, and administrative expenses occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

June 30, 2016	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	\$ 78,161,221	\$ 51,765,066	\$ 29,827,732

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

California Public Employees' Retirement System

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

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

Contributions Member contribution rates are defined by law. Employer contribution rates are determined by periodic actuarial valuations. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. With the passage of the Public Employee's Pension Reform Act of 2013 (PEPRA), a second classification of CalPERS employees has been established. The "new member" classification applies to a new hire who is brought into CalPERS membership for the first time on or after January 1, 2013, and who has no prior membership in any other California public retirement system. CalPERS employees hired prior to January 1, 2013, are now identified as "classic members". Active "classic members" are required to contribute 7% of their salary, while active "new members" under PEPRA are required to contribute 6% of their salary. The required employer contribution rate for the 2015-16 fiscal year was 11.847%. The District's contributions to CalPERS for the fiscal year ended June 30, 2016, was \$3,156,486.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2016, the District reported a net pension liability of \$29,375,367 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2015, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District's proportion was 0.2091%.

For the year ended June 30, 2016, the District recognized pension expense of \$3,843,700. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	Deferred Inflows Resources
Difference between expected and actual experience	\$ 1,761,761	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,055,514
Changes in assumptions	-	1,894,046
Changes in proportion and differences between District contributions and proportionate share of contributions	-	876,904
District contributions subsequent to the measurement date	3,156,486	-
Total	\$ 4,918,247	\$ 3,826,464

The \$3,156,486 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2017	\$ (516,177)
2018	(516,177)
2019	(516,177)
2020	(516,172)
Total	\$ (2,064,703)

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

Actuarial Assumptions The total pension liability in the June 30, 2014, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.65%

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

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2011.

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

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

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

Asset Class	Target Allocation	Rate of Return	
		Years 1 - 10	Years 11+
Global equity	51%	5.25%	5.71%
Global debt securities	19%	0.99%	2.43%
Inflation assets	6%	0.45%	3.36%
Private equity	10%	6.83%	6.95%
Real estate	10%	4.50%	5.13%
Infrastructure and forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	100%		

Discount Rate The discount rates used to measure the total pension liability was 7.65%. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on the CalPERS website.

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

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
June 30, 2016			
District's proportionate share of the net pension liability	\$ 47,810,857	\$ 29,375,367	\$ 14,045,025

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

9. STATE AND FEDERAL ALLOWANCES, AWARDS, AND GRANTS

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

10. RISK MANAGEMENT

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

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

The District has recorded no excess insurance reserves being held by SISC as of June 30, 2016.

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

Plan Description

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

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

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

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

Funding Policy

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

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

Annual OPEB Cost and Net OPEB Asset

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

June 30, 2016	
Annual required contribution	\$ 593,635
Adjustment to annual required contribution	4,928,929
Annual OPEB Cost	5,522,564
Contributions	-
Change in Net OPEB Asset	5,522,564
Net OPEB Asset - Beginning of Year	51,513,364
Net OPEB Asset - End of Year	\$ 45,990,800

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

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

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net Ending OPEB Asset
June 30, 2014	\$ 5,402,334	\$ -	0.00%	\$ 57,035,928
June 30, 2015	\$ 5,522,564	\$ -	0.00%	\$ 51,513,364
June 30, 2016	\$ 5,522,564	\$ -	0.00%	\$ 45,990,800

Actuarial Methods and Assumptions

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

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

In the July 2014 actuarial valuation, the entry-age normal cost method was used. The actuarial assumptions included a 6.0% discount rate based on the assumption that a substantial portion of the ARC is funded. A 2.75% price inflation and a 2.75% wage inflation assumption was used as well as an annual cost trend rate of 4.0%. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are a level percent of payroll over a 30-year period.

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

Condensed OPEB Trust Financial Statements

The financial information for the OPEB Trust is presented below.

Statement of Net Assets Available for Benefits

June 30, 2016

Assets	
Cash and cash equivalents	\$ 5,629,743
Interest receivable	152,650
Long-term investments	66,033,889
Total Assets	71,816,282
Liabilities	
Benefits payable	1,356,842
Net Assets Available for Benefits	\$ 70,459,440

Statement of Changes in Net Assets Available for Benefits

June 30, 2016

Additions	
Investment income:	
Net realized and unrealized losses in investments	\$ 231,768
Dividends and interest	2,282,587
Total Additions	2,514,355
Deductions	
Benefits paid	7,895,232
Net Decrease	(5,380,877)
Net Assets Available for Benefits - Beginning of Year	75,840,317
Net Assets Available for Benefits - End of Year	\$ 70,459,440

Notes to the Condensed OPEB Trust Financial Statements

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

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

Summary of Significant Accounting Policies

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

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

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

12. COMMITMENTS

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

June 30, 2016

Bakersfield College Maintenance and Operations Building	\$ 5,050,404
Bakersfield College Fire Alarm Repairs and Code Compliance	325,066
District Wide Security Assess Hardware	2,922,045
Cerro Coso Main Building Modernization	7,870,404
Porterville Photovoltaic System	304,020
Porterville SMSR HVAC Repairs and Replacement	73,643
Porterville Gym Re-roof and HVAC Replacement	1,870,303
Other	641,498
Total	\$ 19,057,383

13. FUTURE GASB IMPLEMENTATION

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. This statement establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing for those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2016, will have on the District's financial statements, if any.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans* (OPEB). This statement will improve the usefulness of information about OPEB included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The scope of this statement includes OPEB plans administered through trusts that meet certain criteria. It also includes requirements to address financial reporting for assets accumulated for purposes of providing defined OPEB through OPEB plans that are not administered through trusts that meet specified criteria. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2017, will have on the District's financial statements, if any.

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

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

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—An Amendment of GASB Statement No. 14*. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2016, will have on the District's financial statements, if any.

In March 2016, GASB issued Statement No. 82, *Pension Issues—An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, it addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2016, will have on the District's financial statements, if any.

REQUIRED SUPPLEMENTARY INFORMATION

Kern Community College District

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Dates	February 1, 2010	June 30, 2012	July 1, 2014
Actuarial accrued liability (AAL)	\$ 67,675,250	\$ 89,874,408	\$ 79,171,854
Actuarial value of plan assets	84,044,523	87,973,160	82,494,253
Unfunded Actuarial Accrued Liability (UAAL)	\$ 16,369,273	\$ (1,901,248)	\$ 3,322,399
Funded ratio (actuarial value of plan assets/AAL)	124.19%	97.88%	104.20%
Covered payroll (active members)	\$ 48,163,240	\$ 48,401,148	\$ 63,952,251
UAAL as a percentage of covered payroll	33.99%	-3.93%	5.20%

See the accompanying note to the required supplementary information.

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

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

See the accompanying note to the required supplementary information.

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

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

See the accompanying note to the required supplementary information.

Kern Community College District

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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

See the accompanying note to the required supplementary information.

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

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

See the accompanying note to the required supplementary information.

Kern Community College District

NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

CHANGES OF BENEFIT TERMS

California State Teachers' Retirement System

There were no significant changes of benefit terms from the June 30, 2013, actuarial valuation.

California Public Employees' Retirement System

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions used for a specific plan can be found in the plan's annual valuation report.

CHANGES OF ASSUMPTIONS

California State Teachers' Retirement System

There were no changes in major assumptions from the June 30, 2013, actuarial valuation.

California Public Employees' Retirement System

No changes have occurred to the actuarial assumptions since the CalPERS Board adopted new actuarial assumptions in February 2014. The most significant change to the actuarial assumptions that the Board adopted was the inclusion of future mortality improvement. The actuarial assumptions adopted by the Board are designed to ensure greater sustainability and soundness of the defined benefit pension plans, and they will be better at predicting future experiences resulting in more secure retirement benefits in the decades to come. The current experience study was based on demographic CalPERS data for years 1997 to 2011. The study focused on recent patterns of termination, death, disability, retirement and salary increases. These new assumptions were reflected in the total pension liabilities as of June 30, 2013.

GASB Statement No. 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for the pension plan administrative expense. The discount rate was changed from 7.50% (net of administrative expense in 2014) to 7.65% as of the June 30, 2015, measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

OTHER SUPPLEMENTARY INFORMATION SECTION

Kern Community College District

ORGANIZATION STRUCTURE

June 30, 2016

BOARD OF TRUSTEES

Name	Office	Area	Term Expires
Mr. Dennis L. Beebe	President	Southwest Bakersfield	2016
Mrs. Kay Meek	Vice President	Southwest Bakersfield	2016
Mr. John S. Corkins	Member	Porterville	2018
Mr. Romeo Abalog	Member	Northeastern Kern County	2016
Mr. Mark Storch	Clerk	Ridgecrest	2018
Dr. Richard Wright	Member	Central Bakersfield	2018
Mr. Kyle W. Carter	Member	Central Bakersfield	2018

ADMINISTRATION

Ms. Sandra V. Serrano
Chancellor

Mr. Thomas J. Burke
Chief Financial Officer

Mr. John Means
Associate Chancellor, Economic and Workforce Development

Mr. Ibrahim Ali
Vice Chancellor, Human Resources

Ms. Betty Inclan
Interim Vice Chancellor, Educational Services

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

Mr. Christopher Hine
General Counsel

Kern Community College District
 SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT ANNUAL ATTENDANCE
 June 30, 2016

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

	Reported Data
Summer Intersession (Summer 2015 only)	
Noncredit	2.31
Credit	973.98
Summer Intersession (Summer 2016 - Prior to July 1, 2016)	
Noncredit	-
Credit	1,446.01
Primary Terms (Exclusive of Summer Intersession)	
Census Procedure Courses	
Weekly Census Contact Hours	13,098.75
Daily Census Contact Hours	889.37
Actual Hours of Attendance Procedure Courses	
Noncredit	59.16
Credit	1,736.87
Alternative Attendance Accounting Procedure	
Weekly Census Contact Hours	2,178.98
Daily Census Contact Hours	408.10
Noncredit Independent Study/Distance Education Courses	-
Total FTES	20,793.53
Subtotal Credit FTES	20,732.06
Subtotal Noncredit FTES	61.47
SUPPLEMENTARY INFORMATION (Subset of above information)	
IN-SERVICE TRAINING COURSES (FTES)	554.59
Basic Skills Courses and Immigrant Education	
Noncredit	63.45
Credit	2,452.63
Centers FTES	
Noncredit	3.03
Credit	5,120.30

See the accompanying notes to the supplementary information.

Kern Community College District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through/ Grantor Number	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education			
Child Care Food Program	04352-CACFP-15-CC-CS	10.555	\$ 204,785
Headstart	09HP0036/01	93.600	95,221
Total Passed Through California Department of Education			300,006
National Resources Conservation Services		20.215	20,002
TOTAL U.S. DEPARTMENT OF AGRICULTURE			320,008
U.S. DEPARTMENT OF LABOR			
Trade Adjustment Assistance Community College and Career Training		17.282	108,617
TOTAL U.S. DEPARTMENT OF LABOR			108,617
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Work-Study Program		84.033	416,013
Federal Pell Grant Program		84.063	39,859,417
Federal Direct Student Loans		84.268	2,305,406
Total Student Financial Assistance Cluster			42,580,836
Migrant Education State Grant Program		84.011	18,176
Project Workability Bakersfield		84.243	175,020
Passed Through Chancellor's Office			
Career and Technical Education - Basic Grants to States	13-112-520 & 13-C01-023	84.048	903,218
Title III - Higher Education Institutional Aid	P03C110073, P03C110009, GRA-1834	84.031	1,328,911
TOTAL U.S. DEPARTMENT OF EDUCATION			45,006,161
NATIONAL SCIENCE FOUNDATION			
Education and Human Resources		47.076	86,901
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Education			
General Center - Child Care	CCTR3054	93.596	995,627
State Preschool	CSPP3116	93.596	1,483,689
Passed Through Center for Disease Control			
Partnership to Improve Community Health	6NU58DP005678-0102	93.331	34,503
Passed Through Chancellor's Office			
Child, Family, and Community Services - Foster Care - Title IV-E	10-2010	93.658	26,332
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			2,540,151
Total Expenditures of Federal Awards			\$ 48,061,838

See the accompanying notes to the supplementary information.

Kern Community College District
SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended June 30, 2016

	Program Revenues			
	Cash Received	Accounts Receivable	Deferred Revenue	Total
Extended Opportunity Programs and Services	\$ 2,542,268	\$ -	\$ -	\$ 2,542,268
CalGrants	4,461,428	(128,421)	-	4,333,007
Disabled Student Programs and Services	1,628,864	-	-	1,628,864
CalWORKS	562,197	-	-	562,197
Matriculation	5,230,849	-	-	5,230,849
Foster Parent	101,236	(46,045)	-	55,191
Project Care	419,450	-	-	419,450
BFAP	1,039,442	9,347	-	1,048,789
CTE Collaborative Projects	4,677,030	-	(3,401,096)	1,275,934
PC Development Center	315,102	-	-	315,102
Basic Skills	477,339	-	-	477,339
Enrollment Growth for Nursing	319,875	(130,438)	-	189,437
Prop 39 Clean Energy Workforce	1,272,673	41,645	-	1,314,319
State Chancellor's Grants	1,054,845	79,797	(173,012)	961,630
Other State Grants	6,274,582	747,534	(2,613,439)	4,408,678
All other categorical	6,866,880	(5,187)	(242,590)	6,619,103
Total State Programs	\$ 37,244,060	\$ 568,232	\$ (6,430,137)	\$ 31,382,157

See the accompanying notes to the supplementary information.

Kern Community College District
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH AUDITED FINANCIAL STATEMENTS
June 30, 2016

	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
June 30, 2016 - Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 64,395,455	\$ 16,340,815	\$ 17,609,631	\$ 55,999	\$ 98,401,900
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District adjustments	2,041,640	-	-	-	2,041,640
Reclassification of amounts held for others	-	-	-	-	-
Rounding	-	(1)	1	(1)	(1)
Net Adjustments and Reclassifications	2,041,640	(1)	1	(1)	2,041,639
June 30, 2016 - District Accounting Records Fund Balance	\$ 66,437,095	\$ 16,340,814	\$ 17,609,632	\$ 55,998	\$ 100,443,539

See the accompanying notes to the supplementary information.

	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Bookstore Fund	Balance Forward
June 30, 2016 - Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 98,401,900	-	\$ 69,223,481	-	\$ 167,625,381
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District adjustments	2,041,640	74,413	-	-	2,116,053
Reclassification of amounts held for others	-	-	-	-	-
Rounding	(1)	-	(2)	-	(3)
Net Adjustments and Reclassifications	2,041,639	74,413	(2)	-	2,116,050
June 30, 2016 - District Accounting Records Fund Balance	\$ 100,443,539	\$ 74,413	\$ 69,223,479	-	\$ 169,741,431

See the accompanying notes to the supplementary information.

Kern Community College District
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH AUDITED FINANCIAL STATEMENTS
 June 30, 2016
 (Continued)

	Balance Brought Forward	Cafeteria Fund	Student Financial Aid Fund	Other Trust Fund	Balance Forward
June 30, 2016 - Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 167,625,381	\$ 632,661	\$ 33,681	\$ 900	\$ 168,292,623
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District adjustments	2,116,053	-	(17,537)	-	2,098,516
Reclassification of amounts held for others	-	-	-	-	-
Rounding	(3)	(2)	-	11	6
Net Adjustments and Reclassifications	2,116,050	(2)	(17,537)	11	2,098,522
June 30, 2016 - District Accounting Records Fund Balance	\$ 169,741,431	\$ 632,659	\$ 16,144	\$ 911	\$ 170,391,145

See the accompanying notes to the supplementary information.

	Balance Brought Forward	Associated Students Trust Fund	Student Representation Fee Trust Fund	Student Body Center Fee Trust Fund	Total
June 30, 2016 - Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 168,292,623	\$ 241,893	\$ 59,347	\$ 541,502	\$ 169,135,365
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District adjustments	2,098,516	68,010	-	-	2,166,526
Reclassification of amounts held for others	-	(309,903)	(59,348)	(541,502)	(910,753)
Rounding	6	-	1	-	7
Net Adjustments and Reclassifications	2,098,522	(241,893)	(59,347)	(541,502)	1,255,780
June 30, 2016 - District Accounting Records Fund Balance	\$ 170,391,145	\$ -	\$ -	\$ -	\$ 170,391,145

See the accompanying notes to the supplementary information.

Kern Community College District
RECONCILIATION OF 50% LAW CALCULATION
 June 30, 2016

	Object Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110				Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data	
ACADEMIC SALARIES								
Instructional Salaries								
Contract or regular	1100	\$ 28,806,565	\$ -	\$ 28,806,565	\$ 28,902,867	\$ -	\$ 28,902,867	
Other	1300	10,733,166	-	10,733,166	-	-	-	
Total Instructional Salaries		39,539,731	-	39,539,731	28,902,867	-	28,902,867	
Non-Instructional Salaries								
Contract or regular	1200	-	-	-	8,909,330	-	8,909,330	
Other	1400	-	-	-	11,110,492	-	11,110,492	
Total Non-Instructional Salaries		-	-	-	20,019,822	-	20,019,822	
TOTAL ACADEMIC SALARIES		39,539,731	-	39,539,731	48,922,689	-	48,922,689	
CLASSIFIED SALARIES								
Non-Instructional Salaries								
Regular status	2100	-	-	-	17,596,451	-	17,596,451	
Other	2300	-	-	-	584,350	-	584,350	
Total Non-Instructional Salaries		-	-	-	18,180,801	-	18,180,801	
Instructional Aides								
Regular status	2200	691,716	-	691,716	722,828	-	722,828	
Other	2400	1,281,925	-	1,281,925	1,285,620	-	1,285,620	
Total Instructional Aides		1,973,641	-	1,973,641	2,008,448	-	2,008,448	
TOTAL CLASSIFIED SALARIES		1,973,641	-	1,973,641	20,189,249	-	20,189,249	
Other								
Employee benefits	3000	9,853,489	-	9,853,489	20,756,465	-	20,756,465	
Supplies and materials	4000	-	-	-	1,586,768	-	1,586,768	
Other operating expenses	5000	-	-	-	12,774,709	-	12,774,709	
Equipment replacement	6420	-	-	-	-	-	-	
Total Other		9,853,489	-	9,853,489	35,117,942	-	35,117,942	
Total Expenditures Prior to Exclusions		\$ 51,366,861	\$ -	\$ 51,366,861	\$ 104,229,880	\$ -	\$ 104,229,880	

See the accompanying notes to the supplementary information.

Kern Community College District
RECONCILIATION OF 50% LAW CALCULATION
 June 30, 2016
 (Continued)

	Object Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
EXCLUSIONS							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	-
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-instructional Staff Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Total Instructional Salaries		-	-	-	-	-	-
Objects to Exclude							
Rents and leases	5060	-	-	-	-	-	-
Lottery expenditures:							
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
Subtotal		-	-	-	-	-	-
Supplies and materials:	4000						
Software	4100	-	-	-	-	-	-
Books, magazines, and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	-	-	-
Non-instructional supplies and materials	4400	-	-	-	627,436	-	627,436
Total Supplies and Materials		-	-	-	627,436	-	627,436
Other operating expenses and services	5000	-	-	-	2,319,015	-	2,319,015
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Subtotal		-	-	-	2,319,015	-	2,319,015
Equipment	6400	-	-	-	-	-	-
Equipment - additional	6410	-	-	-	156,068	-	156,068
Equipment - replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	156,068	-	156,068
Total Capital Outlay		-	-	-	156,068	-	156,068
Other outgo	7000	-	-	-	-	-	-
TOTAL EXCLUSIONS		-	-	-	3,102,519	-	3,102,519
Total for ECS 84362 - 50% Law		\$ 51,366,861	\$ -	\$ 51,366,861	\$ 101,127,361	\$ -	\$ 101,127,361
Percentage of CEE (Instructional Salary Cost/Total CEE)		50.79%	0.00%	50.79%			
50% of Current Expense of Education					\$ 50,563,680	\$ -	\$ 50,563,680

See the accompanying notes to the supplementary information.

Kern Community College District
RECONCILIATION OF EDUCATION PROTECTION
ACCOUNT EXPENDITURES
June 30, 2016

	Object Code	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
EPA Proceeds	8630			\$	18,127,790
Activity Classification					
Instructional activities	0100-5900	\$ 18,127,790	\$ -	\$ -	18,127,790
Total Expenditures for EPA		\$ 18,127,790	\$ -	\$ -	18,127,790
Total Revenue Less Expenditures				\$	-

See the accompanying notes to the supplementary information.

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

June 30, 2016	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 78,762,383	\$ 1,361,969	\$ (307,310)	\$ 264,856	\$ 80,081,898
Restricted cash and cash equivalents - current	-	-	-	-	-
Accounts receivable - net	8,312,634	242,883	45,554	197,865	8,798,936
Prepaid expenses	2,423,911	-	-	-	2,423,911
Inventories	-	-	-	-	-
Due from other funds	68,373	6,736	4,797	-	79,906
Total Current Assets	89,567,301	1,611,588	(256,959)	462,721	91,384,651
Noncurrent Assets					
Restricted cash and cash equivalents - noncurrent	-	14,734,023	-	-	14,734,023
Restricted investments	-	-	17,866,591	-	17,866,591
Capital assets - net	406,890	-	-	-	406,890
Total Noncurrent Assets	406,890	14,734,023	17,866,591	-	33,007,504
TOTAL ASSETS	\$ 89,974,191	\$ 16,345,611	\$ 17,609,632	\$ 462,721	\$ 124,392,155
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 12,449,803	\$ -	\$ -	\$ 188,592	\$ 12,638,395
Advances from grantors and students	11,087,293	-	-	218,131	11,305,424
Due to other funds	-	4,797	-	-	4,797
Amounts held in trust for others	-	-	-	-	-
Total Liabilities	23,537,096	4,797	-	406,723	23,948,616
Fund Equity					
Fund balances:					
Reserved for debt service	-	16,340,814	17,609,632	-	33,950,446
Reserved for special purposes	8,881,072	-	-	55,998	8,937,070
Unreserved:					
Undesignated	57,556,023	-	-	-	57,556,023
Total Fund Equity	66,437,095	16,340,814	17,609,632	55,998	100,443,539
TOTAL LIABILITIES AND FUND EQUITY	\$ 89,974,191	\$ 16,345,611	\$ 17,609,632	\$ 462,721	\$ 124,392,155

See the accompanying notes to the supplementary information.

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

June 30, 2016	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Bookstore Fund	Balance Forward
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 80,081,898	\$ 74,413	\$ 9,315,048	\$ -	\$ 89,471,359
Restricted cash and cash equivalents - current	-	-	22,591,922	-	22,591,922
Accounts receivable - net	8,798,936	-	112,698	-	8,911,634
Prepaid expenses	2,423,911	-	-	-	2,423,911
Inventories	-	-	-	-	-
Due from other funds	79,906	-	-	-	79,906
Total Current Assets	91,384,651	74,413	32,019,668	-	123,478,732
Noncurrent Assets					
Restricted cash and cash equivalents - noncurrent	14,734,023	-	38,700,305	-	53,434,328
Restricted investments	17,866,591	-	-	-	17,866,591
Capital assets - net	406,890	-	-	-	406,890
Total Noncurrent Assets	33,007,504	-	38,700,305	-	71,707,809
TOTAL ASSETS	\$ 124,392,155	\$ 74,413	\$ 70,719,973	\$ -	\$ 195,186,541
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 12,638,395	\$ -	\$ 1,371,782	\$ -	\$ 14,010,177
Advances from grantors and students	11,305,424	-	49,603	-	11,355,027
Due to other funds	4,797	-	75,109	-	79,906
Amounts held in trust for others	-	-	-	-	-
Total Liabilities	23,948,616	-	1,496,494	-	25,445,110
Fund Equity					
Fund balances:					
Reserved for debt service	33,950,446	-	-	-	33,950,446
Reserved for special purposes	8,937,070	74,413	69,223,479	-	78,234,962
Unreserved:					
Undesignated	57,556,023	-	-	-	57,556,023
Total Fund Equity	100,443,539	74,413	69,223,479	-	169,741,431
TOTAL LIABILITIES AND FUND EQUITY	\$ 124,392,155	\$ 74,413	\$ 70,719,973	\$ -	\$ 195,186,541

See the accompanying notes to the supplementary information.

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

June 30, 2016	Balance Brought Forward	Cafeteria Fund	Student Financial Aid Fund	Balance Forward
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 89,471,359	\$ 580,835	\$ (38,339)	\$ 90,013,855
Restricted cash and cash equivalents - current	22,591,922	-	36,362	22,628,284
Accounts receivable - net	8,911,634	55,226	18,121	8,984,981
Prepaid expenses	2,423,911	135	-	2,424,046
Inventories	-	21,956	-	21,956
Due from other funds	79,906	-	-	79,906
Total Current Assets	123,478,732	658,152	16,144	124,153,028
Noncurrent Assets				
Restricted cash and cash equivalents - noncurrent	53,434,328	-	-	53,434,328
Restricted investments	17,866,591	-	-	17,866,591
Capital assets - net	406,890	-	-	406,890
Total Noncurrent Assets	71,707,809	-	-	71,707,809
TOTAL ASSETS	\$ 195,186,541	\$ 658,152	\$ 16,144	\$ 195,860,837
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable	\$ 14,010,177	\$ 25,493	\$ -	\$ 14,035,670
Advances from grantors and students	11,355,027	-	-	11,355,027
Due to other funds	79,906	-	-	79,906
Amounts held in trust for others	-	-	-	-
Total Liabilities	25,445,110	25,493	-	25,470,603
Fund Equity				
Fund balances:				
Reserved for debt service	33,950,446	-	-	33,950,446
Reserved for special purposes	78,234,962	632,659	16,144	78,883,765
Unreserved:				
Undesignated	57,556,023	-	-	57,556,023
Total Fund Equity	169,741,431	632,659	16,144	170,390,234
TOTAL LIABILITIES AND FUND EQUITY	\$ 195,186,541	\$ 658,152	\$ 16,144	\$ 195,860,837

See the accompanying notes to the supplementary information.

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

June 30, 2016	Balance Brought Forward	Other Trust Fund	Associated Students Trust Fund	Student Representation Fee Trust Fund	Balance Forward
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 90,013,855	\$ (814,671)	\$ 448,450	\$ 81,811	\$ 89,729,445
Restricted cash and cash equivalents - current	22,628,284	-	-	-	22,628,284
Accounts receivable - net	8,984,981	1,187,965	49,365	-	10,222,311
Prepaid expenses	2,424,046	-	-	-	2,424,046
Inventories	21,956	-	-	-	21,956
Due from other funds	79,906	-	-	-	79,906
Total Current Assets	124,153,028	373,294	497,815	81,811	125,105,948
Noncurrent Assets					
Restricted cash and cash equivalents - noncurrent	53,434,328	-	-	-	53,434,328
Restricted investments	17,866,591	-	-	-	17,866,591
Capital assets - net	406,890	-	-	-	406,890
Total Noncurrent Assets	71,707,809	-	-	-	71,707,809
TOTAL ASSETS	\$ 195,860,837	\$ 373,294	\$ 497,815	\$ 81,811	\$ 196,813,757
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 14,035,670	\$ 129,793	\$ 88,724	\$ 3,155	\$ 14,257,342
Advances from grantors and students	11,355,027	242,590	99,188	19,308	11,716,113
Due to other funds	79,906	-	-	-	79,906
Amounts held in trust for others	-	-	309,903	59,348	369,251
Total Liabilities	25,470,603	372,383	497,815	81,811	26,422,612
Fund Equity					
Fund balances:					
Reserved for debt service	33,950,446	-	-	-	33,950,446
Reserved for special purposes	78,883,765	911	-	-	78,884,676
Unreserved:					
Undesignated	57,556,023	-	-	-	57,556,023
Total Fund Equity	170,390,234	911	-	-	170,391,145
TOTAL LIABILITIES AND FUND EQUITY	\$ 195,860,837	\$ 373,294	\$ 497,815	\$ 81,811	\$ 196,813,757

See the accompanying notes to the supplementary information.

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

June 30, 2016	Balance Brought Forward	Student Body Center Fee Trust Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 89,729,445	\$ -	\$ 89,729,445
Restricted cash and cash equivalents - current	22,628,284	-	22,628,284
Accounts receivable - net	10,222,311	-	10,222,311
Prepaid expenses	2,424,046	-	2,424,046
Inventories	21,956	-	21,956
Due from other funds	79,906	-	79,906
Total Current Assets	125,105,948	-	125,105,948
Noncurrent Assets			
Restricted cash and cash equivalents - noncurrent	53,434,328	624,551	54,058,879
Restricted investments	17,866,591	-	17,866,591
Capital assets - net	406,890	-	406,890
Total Noncurrent Assets	71,707,809	624,551	72,332,360
TOTAL ASSETS	\$ 196,813,757	\$ 624,551	\$ 197,438,308
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts payable	\$ 14,257,342	\$ 5,808	\$ 14,263,150
Advances from grantors and students	11,716,113	77,241	11,793,354
Due to other funds	79,906	-	79,906
Amounts held in trust for others	369,251	541,502	910,753
Total Liabilities	26,422,612	624,551	27,047,163
Fund Equity			
Fund balances:			
Reserved for debt service	33,950,446	-	33,950,446
Reserved for special purposes	78,884,676	-	78,884,676
Unreserved:			
Undesignated	57,556,023	-	57,556,023
Total Fund Equity	170,391,145	-	170,391,145
TOTAL LIABILITIES AND FUND EQUITY	\$ 196,813,757	\$ 624,551	\$ 197,438,308

See the accompanying notes to the supplementary information.

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

Year Ended June 30, 2016	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
Operating Revenues					
Tuition and fees	\$ 27,452,684	\$ -	\$ -	\$ -	27,452,684
Less: Scholarship discount and allowance	18,350,431	-	-	-	18,350,431
Net Tuition and Fees	9,102,253	-	-	-	9,102,253
Grants and contracts - noncapital:					
Federal	3,492,240	-	-	898,303	4,390,543
State	25,022,780	-	-	1,176,451	26,199,231
Local	1,684,574	-	-	-	1,684,574
Auxiliary enterprise sales and charges	130,956	-	-	20,060	151,016
Other operating revenues	434,963	3,352,815	-	31,776	3,819,554
Total Operating Revenues	39,867,766	3,352,815	-	2,126,590	45,347,171
Operating Expenditures/Expenses					
Salaries	83,544,692	-	-	1,801,839	85,346,531
Employee benefits	24,146,313	-	-	729,672	24,875,985
Supplies, materials, and other operating expenditures	23,635,937	172,487	3,575	212,818	24,024,817
Capital outlay	2,173,278	-	-	-	2,173,278
Utilities	2,746,666	-	-	34,843	2,781,509
Depreciation	49,673	-	-	-	49,673
Payments to students	479,653	-	-	-	479,653
Total Operating Expenditures/Expenses	136,776,212	172,487	3,575	2,779,172	139,731,446
Operating Income (Loss)	(96,908,446)	3,180,328	(3,575)	(652,582)	(94,384,275)
Nonoperating Revenues (Expenditures)					
State apportionments - noncapital	43,498,698	-	-	-	43,498,698
Education protection account revenues	18,127,790	-	-	-	18,127,790
Local property taxes - noncapital	55,216,302	8,281	-	-	55,224,583
State taxes and other revenues - noncapital	15,526,794	107,062	-	-	15,633,856
Investment income - noncapital	340,526	-	-	-	340,526
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid disbursements	-	-	-	-	-
Other nonoperating revenues/expenditures	(1,526,293)	-	(3,352,815)	95,069	(4,784,039)
Total Nonoperating Revenues (Expenditures)	131,183,817	115,343	(3,352,815)	95,069	128,041,414
Income (Loss) Before Other Revenues and Expenditures/Expenses	34,275,371	3,295,671	(3,356,390)	(557,513)	33,657,139
Other Revenues and Expenditures					
Local property taxes and revenues - capital	-	12,628,447	-	-	12,628,447
Investment income - capital	-	91,226	416,479	-	507,705
Excess of Revenues Over (Under) Expenditures/Expenses	34,275,371	16,015,344	(2,939,911)	(557,513)	46,793,291
Other Financing Sources (Uses)					
Bond proceeds	-	30,759,648	-	-	30,759,648
Cost of bond issuance	-	(417,444)	-	-	(417,444)
Operating transfers in	42,859	-	623,705	576,035	1,242,599
Operating transfers out	(12,104,864)	-	-	-	(12,104,864)
Debt service	(5,926,322)	(48,574,574)	-	-	(54,500,896)
Total Other Financing Sources (Uses)	(17,988,327)	(18,232,370)	623,705	576,035	(35,020,957)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	16,287,044	(2,217,026)	(2,316,206)	18,522	11,772,334
Fund Equity - Beginning of Year	50,150,051	18,557,840	19,925,838	37,476	88,671,205
Fund Equity - End of Year	\$ 66,437,095	\$ 16,340,814	\$ 17,609,632	\$ 55,998	\$ 100,443,539

See the accompanying notes to the supplementary information.

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

Year Ended June 30, 2016	Balance Brought Forward	Special Revenue Fund	Outlay Projects Fund	Bookstore Fund	Balance Forward
Operating Revenues					
Tuition and fees	\$ 27,452,684	\$ -	\$ 201,306	\$ -	\$ 27,653,990
Less: Scholarship discount and allowance	18,350,431	-	-	-	18,350,431
Net Tuition and Fees	9,102,253	-	201,306	-	9,303,559
Grants and contracts - noncapital:					
Federal	4,390,543	-	-	-	4,390,543
State	26,199,231	-	536,098	-	26,735,329
Local	1,684,574	-	-	-	1,684,574
Auxiliary enterprise sales and charges	151,016	-	-	-	151,016
Other operating revenues	3,819,554	-	250,424	-	4,069,978
Total Operating Revenues	45,347,171	-	987,828	-	46,334,999
Operating Expenditures/Expenses					
Salaries	85,346,531	-	525,296	-	85,871,827
Employee benefits	24,875,985	-	192,525	-	25,068,510
Supplies, materials, and other operating expenditures	24,024,817	-	2,574,139	-	26,598,956
Capital outlay	2,173,278	-	18,601,042	-	20,774,320
Utilities	2,781,509	-	-	-	2,781,509
Depreciation	49,673	-	-	-	49,673
Payments to students	479,653	-	-	-	479,653
Total Operating Expenditures/Expenses	139,731,446	-	21,893,002	-	161,624,448
Operating Income (Loss)	(94,384,275)	-	(20,905,174)	-	(115,289,449)
Nonoperating Revenues (Expenditures)					
State apportionments - noncapital	43,498,698	-	-	-	43,498,698
Education protection account revenues	18,127,790	-	-	-	18,127,790
Local property taxes - noncapital	55,224,583	-	278,265	-	55,502,848
State taxes and other revenues - noncapital	15,633,856	-	-	-	15,633,856
Investment income - noncapital	340,526	-	-	-	340,526
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid disbursements	-	-	-	-	-
Other nonoperating revenues/expenditures	(4,784,039)	-	260,181	-	(4,523,858)
Total Nonoperating Revenues (Expenditures)	128,041,414	-	538,446	-	128,579,860
Income (Loss) Before Other Revenues and Expenditures/Expenses	33,657,139	-	(20,366,728)	-	13,290,411
Other Revenues and Expenditures					
Local property taxes and revenues - capital	12,628,447	-	-	-	12,628,447
Investment income - capital	507,705	-	489,620	-	997,325
Excess of Revenues Over (Under) Expenditures/Expenses	46,793,291	-	(19,877,108)	-	26,916,183
Other Financing Sources (Uses)					
Bond proceeds	30,759,648	-	3,000,000	-	33,759,648
Cost of bond issuance	(417,444)	-	-	-	(417,444)
Operating transfers in	1,242,599	-	11,485,970	-	12,728,569
Operating transfers out	(12,104,864)	-	(623,705)	-	(12,728,569)
Debt service	(54,500,896)	-	-	-	(54,500,896)
Total Other Financing Sources (Uses)	(35,020,957)	-	13,862,265	-	(21,158,692)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	11,772,334	-	(6,014,843)	-	5,757,491
Fund Equity - Beginning of Year	88,671,205	74,413	75,238,322	-	163,983,940
Fund Equity - End of Year	\$ 100,443,539	\$ 74,413	\$ 69,223,479	\$ -	\$ 169,741,431

See the accompanying notes to the supplementary information.

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

Year Ended June 30, 2016	Balance Brought Forward	Cafeteria Fund	Student Financial Aid Fund	Balance Forward
Operating Revenues				
Tuition and fees	\$ 27,653,990	\$ -	\$ -	\$ 27,653,990
Less: Scholarship discount and allowance	18,350,431	-	-	18,350,431
Net Tuition and Fees	9,303,559	-	-	9,303,559
Grants and contracts - noncapital:				
Federal	4,390,543	-	-	4,390,543
State	26,735,329	-	-	26,735,329
Local	1,684,574	-	-	1,684,574
Auxiliary enterprise sales and charges	151,016	1,621,190	-	1,772,206
Other operating revenues	4,069,978	208,915	-	4,278,893
Total Operating Revenues	46,334,999	1,830,105	-	48,165,104
Operating Expenditures/Expenses				
Salaries	85,871,827	537,136	-	86,408,963
Employee benefits	25,068,510	238,028	-	25,306,538
Supplies, materials, and other operating expenditures	26,598,956	950,581	17,538	27,567,075
Capital outlay	20,774,320	45,441	-	20,819,761
Utilities	2,781,509	-	-	2,781,509
Depreciation	49,673	-	-	49,673
Payments to students	479,653	-	-	479,653
Total Operating Expenditures/Expenses	161,624,448	1,771,186	17,538	163,413,172
Operating Income (Loss)	(115,289,449)	58,919	(17,538)	(115,248,068)
Nonoperating Revenues (Expenditures)				
State apportionments - noncapital	43,498,698	-	-	43,498,698
Education protection account revenues	18,127,790	-	-	18,127,790
Local property taxes - noncapital	55,502,848	-	-	55,502,848
State taxes and other revenues - noncapital	15,633,856	-	-	15,633,856
Investment income - noncapital	340,526	-	-	340,526
Financial aid revenues - federal	-	-	335,837	335,837
Financial aid revenues - state	-	-	-	-
Financial aid disbursements	-	-	(335,837)	(335,837)
Other nonoperating expenditures/expenses	(4,523,858)	-	-	(4,523,858)
Total Nonoperating Revenues (Expenditures)	128,579,860	-	-	128,579,860
Income (Loss) Before Other Revenues and Expenditures/Expenses	13,290,411	58,919	(17,538)	13,331,792
Other Revenues and Expenditures				
Local property taxes and revenues - capital	12,628,447	-	-	12,628,447
Investment income - capital	997,325	-	-	997,325
Excess of Revenues Over (Under) Expenditures/Expenses	26,916,183	58,919	(17,538)	26,957,564
Other Financing Sources (Uses)				
Bond proceeds	33,759,648	-	-	33,759,648
Cost of bond issuance	(417,444)	-	-	(417,444)
Operating transfers in	12,728,569	-	-	12,728,569
Operating transfers out	(12,728,569)	-	-	(12,728,569)
Debt service	(54,500,896)	-	-	(54,500,896)
Total Other Financing Sources (Uses)	(21,158,692)	-	-	(21,158,692)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	5,757,491	58,919	(17,538)	5,798,872
Fund Equity - Beginning of Year	163,983,940	573,740	33,682	164,591,362
Fund Equity - End of Year	\$ 169,741,431	\$ 632,659	\$ 16,144	\$ 170,390,234

See the accompanying notes to the supplementary information.

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

Year Ended June 30, 2016	Brought Forward	Other Trust Fund	Students Trust Fund	Representation Fee Trust Fund	Balance Forward
Operating Revenues					
Tuition and fees	\$ 27,653,990	\$ -	\$ -	\$ -	\$ 27,653,990
Less: Scholarship discount and allowance	18,350,431	-	-	-	18,350,431
Net Tuition and Fees	9,303,559	-	-	-	9,303,559
Grants and contracts - noncapital:					
Federal	4,390,543	-	-	-	4,390,543
State	26,735,329	-	-	-	26,735,329
Local	1,684,574	-	-	-	1,684,574
Auxiliary enterprise sales and charges	1,772,206	-	-	-	1,772,206
Other operating revenues	4,278,893	-	-	-	4,278,893
Total Operating Revenues	48,165,104	-	-	-	48,165,104
Operating Expenditures/Expenses					
Salaries	86,408,963	2,000	-	-	86,410,963
Employee benefits	25,306,538	(6,835)	-	-	25,299,703
Supplies, materials, and other operating expenditures	27,567,075	4,831	-	-	27,571,906
Capital outlay	20,819,761	-	-	-	20,819,761
Utilities	2,781,509	-	-	-	2,781,509
Depreciation	49,673	-	-	-	49,673
Payments to students	479,653	-	-	-	479,653
Total Operating Expenditures/Expenses	163,413,172	(4)	-	-	163,413,168
Operating Income (Loss)	(115,248,068)	4	-	-	(115,248,064)
Nonoperating Revenues (Expenditures)					
State apportionments - noncapital	43,498,698	-	-	-	43,498,698
Education protection account revenues	18,127,790	-	-	-	18,127,790
Local property taxes	55,502,848	-	-	-	55,502,848
State taxes and other revenues - noncapital	15,633,856	-	-	-	15,633,856
Investment income - noncapital	340,526	-	-	-	340,526
Financial aid revenues - federal	335,837	41,793,643	-	-	42,129,480
Financial aid revenues - state	-	5,205,407	-	-	5,205,407
Financial aid disbursements	(335,837)	(47,007,356)	-	-	(47,343,193)
Other nonoperating expenditures/expenses	(4,523,858)	-	-	-	(4,523,858)
Total Nonoperating Revenues (Expenditures)	128,579,860	(8,306)	-	-	128,571,554
Income (Loss) Before Other Revenues and Expenditures/Expenses	13,331,792	(8,302)	-	-	13,323,490
Other Revenues and Expenditures					
Local property taxes and revenues - capital	12,628,447	-	-	-	12,628,447
Investment income - capital	997,325	-	-	-	997,325
Excess of Revenues Over (Under) Expenditures/Expenses	26,957,564	(8,302)	-	-	26,949,262
Other Financing Sources (Uses)					
Bond proceeds	33,759,648	-	-	-	33,759,648
Cost of bond issuance	(417,444)	-	-	-	(417,444)
Operating transfers in	12,728,569	-	-	-	12,728,569
Operating transfers out	(12,728,569)	-	-	-	(12,728,569)
Debt service	(54,500,896)	-	-	-	(54,500,896)
Total Other Financing Sources (Uses)	(21,158,692)	-	-	-	(21,158,692)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	5,798,872	(8,302)	-	-	5,790,570
Fund Equity - Beginning of Year	164,591,362	9,213	-	-	164,600,575
Fund Equity - End of Year	\$ 170,390,234	\$ 911	\$ -	\$ -	\$ 170,391,145

See the accompanying notes to the supplementary information.

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

Year Ended June 30, 2016	Balance Brought Forward	Student Body Center Fee Trust Fund	Total
Operating Revenues			
Tuition and fees	\$ 27,653,990	\$ -	\$ 27,653,990
Less: Scholarship discount and allowance	18,350,431	-	18,350,431
Net Tuition and Fees	9,303,559	-	9,303,559
Grants and contracts - noncapital:			
Federal	4,390,543	-	4,390,543
State	26,735,329	-	26,735,329
Local	1,684,574	-	1,684,574
Auxiliary enterprise sales and charges	1,772,206	-	1,772,206
Other operating revenues	4,278,893	-	4,278,893
Total Operating Revenues	48,165,104	-	48,165,104
Operating Expenditures/Expenses			
Salaries	86,410,963	-	86,410,963
Employee benefits	25,299,703	-	25,299,703
Supplies, materials, and other operating expenditures	27,571,906	-	27,571,906
Capital outlay	20,819,761	-	20,819,761
Utilities	2,781,509	-	2,781,509
Depreciation	49,673	-	49,673
Payments to students	479,653	-	479,653
Total Operating Expenditures/Expenses	163,413,168	-	163,413,168
Operating Income (Loss)	(115,248,064)	-	(115,248,064)
Nonoperating Revenues (Expenditures)			
State apportionments - noncapital	43,498,698	-	43,498,698
Education protection account revenues	18,127,790	-	18,127,790
Local property taxes	55,502,848	-	55,502,848
State taxes and other revenues - noncapital	15,633,856	-	15,633,856
Investment income - noncapital	340,526	-	340,526
Financial aid revenues - federal	42,129,480	-	42,129,480
Financial aid revenues - state	5,205,407	-	5,205,407
Financial aid disbursements	(47,343,193)	-	(47,343,193)
Other nonoperating expenditures/expenses	(4,523,858)	-	(4,523,858)
Total Nonoperating Revenues (Expenditures)	128,571,554	-	128,571,554
Income (Loss) Before Other Revenues and Expenditures/Expenses	13,323,490	-	13,323,490
Other Revenues and Expenditures			
Local property taxes and revenues - capital	12,628,447	-	12,628,447
Investment income - capital	997,325	-	997,325
Excess of Revenues Over (Under) Expenditures/Expenses	26,949,262	-	26,949,262
Other Financing Sources (Uses)			
Bond proceeds	33,759,648	-	33,759,648
Cost of bond issuance	(417,444)	-	(417,444)
Operating transfers in	12,728,569	-	12,728,569
Operating transfers out	(12,728,569)	-	(12,728,569)
Debt service	(54,500,896)	-	(54,500,896)
Total Other Financing Sources (Uses)	(21,158,692)	-	(21,158,692)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	5,790,570	-	5,790,570
Fund Equity - Beginning of Year	164,600,575	-	164,600,575
Fund Equity - End of Year	\$ 170,391,145	\$ -	\$ 170,391,145

See the accompanying notes to the supplementary information.

Kern Community College District
RECONCILIATION OF FUND EQUITY TO NET POSITION
 June 30, 2016

Total Fund Equity - District Funds Included in the Reporting Entity		\$ 170,391,145
Assets recorded within the GASB 35 Statement of Net Position not included in the District fund financial statements:		
Depreciable capital assets	\$ 328,842,754	
Accumulated depreciation	(112,909,439)	215,933,315
Nondepreciable capital assets		66,942,387
Other postemployment benefits asset		45,990,800
Deferred outflows related to pensions		10,167,169
Deferred loss on refunding		2,789,201
Liabilities recorded within the GASB 35 Statement of Net Position not recorded in the District fund financial statements:		
Accounts payable:		
Interest payable		(2,342,827)
Retentions payable		(1,092,664)
Pension liabilities		(81,140,433)
Compensated absences		(2,881,120)
Other long-term liabilities		(307,372,713)
Deferred Inflows related to pensions		(12,684,225)
Net Assets Reported Within the GASB 35 Statement of Net Position		\$ 104,700,035

See the accompanying notes to the supplementary information.

Kern Community College District

RECONCILIATION OF CHANGE IN FUND EQUITY TO CHANGE IN NET POSITION

June 30, 2016

Total Net Change in Fund Equity - District Funds Included in the Reporting Entity	\$ 5,790,570
Compensated absence expense reduction reported within the GASB 35 Statements	(173,400)
Change in pension expense related to GASB 68	(211,493)
Depreciation expense reported within the GASB 35 Statements	(9,212,049)
Amortization of bond premium cost reported within the GASB 35 Statements	2,961,103
Amortization of deferred loss on refunding within the GASB 35 Statements	(303,683)
Capital outlay expense not reported within the GASB 35 Statements	22,371,178
Capitalized interest reported within the GASB 35 Statements	359,358
Decrease in interest expense for capital asset related debt reported within the GASB 35 Statements	385,302
Principal payments on debt not reported within the GASB 35 Statements	37,282,992
Bond proceeds from debt not reported within the GASB 35 Statements	(33,759,648)
Prepaid expense of other postemployment benefits reported within the GASB 35 Statements	(5,522,564)
Net Change in Net Position Reported Within the GASB 35 Statement of Revenues, Expenses, and Changes in Net Assets	\$ 19,967,666

See the accompanying notes to the supplementary information.

1. PURPOSE OF SCHEDULES

Schedule of Workload Measures for State General Apportionment

The Schedule of Workload Measures for State General Apportionment Annualized Attendance as of June 30, 2016, represents the basis of apportionment of the District's annual source of funding.

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

This schedule includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

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

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

Schedule of Expenditures of State Awards

This schedule includes the state activity of the District under categorical programs of the state of California for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of the *California Community Colleges Contracted District Audit Manual 2015-16*.

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

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

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

Reconciliation of 50% Law Calculation

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

Reconciliation of Education Protection Account Expenditures

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

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

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

2. COMBINING FINANCIAL STATEMENTS SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

3. LOAN PROGRAMS

The District is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan Program. Accordingly, the value of these outstanding loans is not reflected in the District's financial statements. It is not practical to determine the balance of loans outstanding to students of the District under this program as of June 30, 2016.

OTHER REPORTS SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Kern Community College District (the District) as of and for the year ended June 30, 2016; and the related notes to the financial statements, which collectively comprise the District's basic financial statements; and have issued our report thereon dated DATE.

Internal Control Over Financial Reporting

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

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

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

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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*.

Purpose of This Report

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

DATE
Redding, California

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

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

Report on Compliance for Each Major Federal Program

We have audited Kern Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

(Continued)

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

(Continued)

Purpose of This Report

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

DATE

Redding, California

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Compliance

We have audited the Kern Community College District's (the District) compliance with the types of state compliance requirements described in the *California Community Colleges Contracted District Audit Manual 2015-16*, published by the California Community Colleges Chancellor's Office, for the year ended June 30, 2016. The applicable state compliance requirements are identified in the table below.

Management's Responsibility

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

Auditors' Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *California Community Colleges Contracted District Audit Manual 2015-16*, published by the California Community Colleges Chancellor's Office. Those standards and the *California Community Colleges Contracted District Audit Manual 2015-16* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination of the District's compliance with those requirements.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

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

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the state compliance requirements referred to above that are applicable to the District for the year ended June 30, 2016.

DATE
Redding, California

FINDINGS AND QUESTIONED COSTS SECTION

Kern Community College District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2016

SECTION I
SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

STATE AWARDS

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

Kern Community College District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2016
(Continued)

SECTION II FINDINGS
FINANCIAL STATEMENTS AUDIT

None.

SECTION III FINDINGS
FEDERAL AWARDS AUDIT

None.

SECTION IV FINDINGS
STATE AWARDS AUDIT

None.

Kern Community College District

CORRECTIVE ACTION PLAN

June 30, 2016

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

Kern Community College District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2016

None.