

Kern Community College District
Proposition 39 and Measure J General
Obligation Bonds
Bakersfield, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORTS

June 30, 2018



K · C O E
I S O M

Kern Community College District
Proposition 39 and Measure J General Obligation Bonds

TABLE OF CONTENTS

June 30, 2018

	<u>Page Number</u>
Independent Auditors' Report	1
 FINANCIAL SECTION	
Balance Sheet	5
Statement of Revenues, Expenditures, and Change in Fund Balance	6
Notes to the Financial Statements	7
 SUPPLEMENTARY INFORMATION SECTION	
Statement of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual	15
Schedule of Long-Term Obligations	16
Note to the Supplementary Information	17
 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 <i>Government Auditing Standards</i>	19
Independent Auditors' Report on Performance	21
 PERFORMANCE AUDIT SECTION	
Performance Audit	23
 FINDINGS AND RECOMMENDATIONS SECTION	
Schedule of Audit Findings	26
Summary Schedule of Prior Audit Findings	27

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Citizens' Bond Oversight Committee
Kern Community College District
Bakersfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure J Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District (the Bonds) of the Kern Community College District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Bond'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 of America. 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 Bonds of the District as of June 30, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Bonds. The accompanying supplementary information on pages 15 to 17, 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 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 15 to 17 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter

As discussed in note 1, the financial statements present only the Bonds and do not purport to, and do not, present fairly the financial position of the District, as of June 30, 2018, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITORS' REPORT

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KCoe Team, LLP

March 4, 2019
Redding, California

FINANCIAL SECTION

Kern Community College District
Proposition 39 and Measure J General Obligation Bonds
BALANCE SHEET

June 30, 2018

ASSETS

Cash and investments	\$ 30,538,356
Accounts receivable	58,365
Due from other funds	63,855
Prepaid expenses	18,000

TOTAL ASSETS \$ 30,678,576

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable and other current liabilities	\$ 3,248,059
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Fund Balance

Restricted	27,430,517
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TOTAL LIABILITIES AND FUND BALANCE \$ 30,678,576

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

Kern Community College District
Proposition 39 and Measure J General Obligation Bonds
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

Year Ended June 30, 2018

Revenues	
Interest income	\$ 483,075
Expenditures	
Supplies and materials	102,490
Rents, leases, and repairs	53,381
Professional and consulting	3,844,441
Salaries and benefits	308,137
Other expenses and services	9,896
Capital outlay	8,674,404
Total Expenditures	12,992,749
Net Change in Fund Balance	(12,509,674)
Fund Balance - Beginning of Year	39,940,191
Fund Balance - End of Year	\$ 27,430,517

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

Kern Community College District
Proposition 39 and Measure J General Obligation Bonds
NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Organization

The 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 currently operates three college campuses and three approved instructional centers.

The Kern Community College Safety, Repair, and Improvement District (SRID) was formed following a public hearing on August 1, 2002, pursuant to California Education Code and proceedings taken by the District. Measure G was placed on the ballot for November 5, 2002, and the electors of the SRID voted on whether \$180,000,000 in bonds should be issued on behalf of the District. Measure J was placed on the ballot for November 8, 2016, and the electors of the SRID voted on whether \$502,821,000 in bonds should be issued on behalf of the District. Proposition 39 required a 55% supermajority for approval. More than 55% of the electors voting on the propositions voted in favor of such issuance.

The 2016 A General Obligation Bonds were the first series of bonds issued under the authorization. The net proceeds of the 2016 A Bonds of \$40,225,000 will be used to finance the improvement, renovation, construction, and equipping of the District sites within the Facilities Improvement District No. 1, which includes Kern, San Bernardino, and Tulare Counties, California, and pay for costs of issuing bonds.

These financial statements present only the Measure J fund of the SRID (the Bonds). These financial statements do not include financial information of the remainder of the District's funds, which accounting principles generally accepted in the United States of America require to be presented with the financial statements of the District.

The board of supervisors for Kern County are empowered and obligated to levy property taxes, without limitation as to rate or amount (except for certain property which is taxable at limited rates), for payment of principal and maturity value of, and interest on, the bonds.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP, and used by the District, are discussed below.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Kern Community College District

Proposition 39 and Measure J General Obligation Bonds

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Measurement Focus In the fund financial statements, governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on the balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as the measure of available spendable financial resources at the end of the period.

Basis of Accounting In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services are rendered). Cash in the Kern County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District’s Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District’s Governing Board satisfied these requirements.

The budget is revised by the District’s Governing Board during the year to give consideration to unanticipated income and expenditures.

Fund Balance Classifications

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. Amounts for which constraints have been placed on the use of the resources either: (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation are considered restricted. The fund balance of the Measure J Fund for the Proposition 39 General Obligation Bonds of the SRID is therefore classified as restricted.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Kern Community College District
Proposition 39 and Measure J General Obligation Bonds
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Cash and Investments

In accordance with Education Code Section 41001, the District maintains cash with the Kern County Treasury. The County of Kern pools these funds with those of other districts in the County of Kern and invests the cash. The County is restricted by California Government Code, Section 53635 pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and include accrued interest. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by California Government Code, Section 27130. The District is considered to be an involuntary participant in the external investment pool. Interest earned is deposited quarterly into participating funds; any investment losses are proportionately shared by all funds in the pool.

Accounts Receivable

Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed, but not received, as of June 30, 2018. Amounts due from other governments include interest on treasury funds that the District has earned or been allocated, but has not received, as of June 30, 2018. At June 30, 2018, no allowance for doubtful accounts was deemed necessary.

Balance Due To/From Other Funds

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds.

Prepaid Expenses

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

Capital Assets and Long-Term Debt

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Measure J Fund for the Proposition 39 General Obligation Bonds of the SRID are determined by their measurement focus. The fund is accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of "available spendable resources". Thus, the capital assets and long-term liabilities associated with the Measure J Fund for the Proposition 39 General Obligation Bonds of the SRID are accounted for in the basic financial statements of the District.

Kern Community College District
Proposition 39 and Measure J General Obligation Bonds
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2. CASH AND INVESTMENTS

The following is a summary of cash and investments:

June 30, 2018

Investments that Are Not Securities (1)	
County treasurer's investment pool	\$ 30,538,356

(1) Investments That Are Not Securities A “security” is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

All cash and investments are restricted to expenditures for purposes authorized in the ballot measure.

Investment Credit Risk

California Government Code, Section 53601, limits investments in commercial paper to “prime” quality of the highest ranking, or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. The District does not have an investment policy that would further limit investment choices. The District’s investment in the County investment pool is unrated.

Fair Value Measurements

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

The District has the following recurring fair value measurements as of June 30, 2018:

- County treasurer’s investment pool of \$30,538,356 is valued using quoted prices for similar instruments in active markets and quoted prices for identical or similar instruments in markets that are not active (level 2 inputs).

Kern Community College District
Proposition 39 and Measure J General Obligation Bonds
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Treasury Pool investments are accounted for in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires governmental entities to report certain investments at fair value in the balance sheet and the statement of net position and recognize the corresponding change in value of investments in the year in which the change occurred. The value of the participant's shares in the Treasury Pool that may be withdrawn is determined on an amortized cost basis, which is different from the fair value of the participant's position in the Treasury Pool. The fair value fluctuates with interest rates, and increasing rates could cause the value to decline below original cost; however, Kern County management believes the liquidity in the portfolio is more than adequate to meet cash flow requirements and to preclude Kern County from having to sell investments below original cost for that purpose.

Concentration of Credit Risk – Investments

California Government Code, Section 53635, places the following concentration limits on the County investment pool:

No more than 40% may be invested in eligible commercial paper; no more than 10% may be invested in the outstanding commercial paper of any single issuer; and no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

California Government Code, Section 53601, places the following concentration limits on the District's investments:

No more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in bankers' acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

Kern Community College District
Proposition 39 and Measure J General Obligation Bonds
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

3. INTERFUND TRANSACTIONS AND BALANCES DUE TO/FROM OTHER FUNDS

Balances Due To/From Other Funds

Balances due to/from other funds in the fund financial statements are as follows:

Due From Other Funds	Due to Other Funds	
Measure J	General	\$ 63,855

Due from other funds represents a reimbursement from the General Fund for expenses paid from the Measure J Fund that were determined to be expenses of the General Fund.

4. ACCOUNTS PAYABLE

Accounts payable consisted of the following:

June 30, 2018		
Vendors		\$ 2,661,815
Other		586,244
Total		\$ 3,248,059

5. FUND BALANCE COMPONENTS

Fund balance is composed of the following:

June 30, 2018		
Restricted		
Restricted for capital projects		\$ 27,430,517

Kern Community College District
Proposition 39 and Measure J General Obligation Bonds
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

6. CONSTRUCTION PROJECT COMMITMENTS

Construction project commitments are as follows:

	Remaining Construction Commitment
June 30, 2018	
Cerro Coso Main Building Modernization	\$ 70,788
Bakersfield College Infrastructure/Parking Lots	1,594,498
Total	\$ 1,665,286

SUPPLEMENTARY INFORMATION

Kern Community College District**Proposition 39 and Measure J General Obligation Bonds**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended June 30, 2018	Budget	Actual	Variance With Budget
Revenues			
Transfer in from reserve - budget only	\$ 11,227,434	\$ -	\$ (11,227,434)
Interest income	800,000	483,075	(316,925)
Total Revenues	12,027,434	483,075	(11,544,359)
Expenditures			
Capital outlay	9,611,414	8,674,404	937,010
Supplies and materials	5,332	102,490	(97,158)
Professional and consulting	2,037,374	3,844,441	(1,807,067)
Rents, leases, and repairs	-	53,381	(53,381)
Salaries and benefits	373,314	308,137	65,177
Other expenses and services	-	9,896	(9,896)
Total Expenditures	12,027,434	12,992,749	(965,315)
Net Change in Fund Balance	\$ -	\$ (12,509,674)	\$ (12,509,674)

Kern Community College District
Proposition 39 and Measure J General Obligation Bonds
 SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2018

GENERAL OBLIGATION BONDS ISSUED MAY 2017

On November 8, 2016, the voters authorized the issuance and sale of general obligation bonds totaling \$502,821,000. On May 23, 2017, \$40,225,000 of general obligation bonds were sold under Measure J Proposition 39 by the Safety, Repair, and Improvement District which provides that proceeds of the bonds will generally be used for the acquisition, construction, furnishing, and equipping of Kern Community College District (the District) facilities. Interest rate is 5.00%. The bonds mature in 2020.

The outstanding general obligation bonds payable at June 30, 2018, are:

Issue Date	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2017	Redeemed Current Year	Outstanding June 30, 2018
2017	5.00%	2020	\$ 40,225,000	\$ 40,225,000	-	\$ 40,225,000

The bonds were issued at a premium of \$3,004,448 with issuance costs of \$254,740. The proceeds of the bond premium, less issuance costs, and the repayment of debt related to the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District are accounted for in the District's Measure J Fund, which is part of the District's basic financial statements.

Kern Community College District
Proposition 39 and Measure J General Obligation Bonds
NOTE TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2018

PURPOSE OF SCHEDULE

Schedule of Long-Term Debt Obligations

This schedule summarizes the debt repayment associated with the bond proceeds received through issuance of Proposition 39 General Obligation Bonds.

Year Ending June 30	Principal	Interest	Total
2019	\$ 16,850,000	\$ 2,279,417	\$ 19,129,417
2020	18,000,000	1,168,750	19,168,750
2021	5,375,000	268,750	5,643,750
Total	\$ 40,225,000	\$ 3,716,917	\$ 43,941,917

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
Citizens' Bond Oversight Committee
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 of America, the financial statements of the Measure J Bond Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District (the Bonds) of Kern Community College District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Bond's basic financial statements, and have issued our report thereon dated March 4, 2019.

Internal Control Over Financial Reporting

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

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

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

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

Purpose of This Report

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

KCae Team, LLP

March 4, 2019
Redding, California



INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

To the Board of Trustees
Citizens' Oversight Committee
Kern Community College District
Bakersfield, California

Report on Compliance

We have audited the Kern Community College District's (the District) compliance with the performance requirements for the Proposition 39 and Measure J General Obligation Bonds of the Safety, Repair, and Improvement District (the Bonds) for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for the District's compliance with those requirements.

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted this performance audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the performance requirements for the Proposition 39 and the Bonds that could have a material effect on compliance 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 consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our performance audit does not provide a legal determination on the District's compliance with the specific requirements.

Opinion

In our opinion, the District complied, in all material respects, with the performance requirements referred to above that are applicable to the District for the year ended June 30, 2018.

KCoe Isom, LLP

March 4, 2019
Redding, California

PERFORMANCE AUDIT SECTION

Kern Community College District
Proposition 39 and Measure J General Obligation Bonds
PERFORMANCE AUDIT

OBJECTIVES

The objectives of our performance audit were to determine whether the expenditures charged to the voter-approved Measure J Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District for the fiscal year ended June 30, 2018, have been made in accordance with project budgets and guidelines; note any incongruities or system weaknesses; and provide recommendations for improvements.

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal year ended June 30, 2018. The expenditures included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2018, were not reviewed or included within the scope of our audit.

BACKGROUND INFORMATION

In November 2000, the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school districts and community colleges under certain circumstances and subject to certain conditions.

On November 8, 2016, a general obligation bond proposition (Measure J) of the Safety, Repair, and Improvement District was approved by voters of the Kern Community College District (the District). Measure J authorized the District to issue up to \$502,821,000 of general obligation bonds to be used for the acquisition, construction, furnishing, and equipping of District facilities.

Pursuant to the requirements of Proposition 39, and related state legislation, the Board of Trustees of the District established a Citizens' Oversight Committee and appointed its members. The principal purpose of the Citizens' Oversight Committee, as set out in state law, is to inform the public as to the expenditures of the proceeds of the bonds issued pursuant to the Measure J bond authorization. The Citizens' Oversight Committee is required to issue a least one report annually as to its activities and findings.

Section 1(b)(3)(c) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Measure J Bond Fund have been expended for only the authorized bond projects.

Kern Community College District
Proposition 39 and Measure J General Obligation Bonds
PERFORMANCE AUDIT
(Continued)

PROCEDURES PERFORMED

We obtained the Measure J Fund general ledger and the project expenditure summary reports and detail prepared by the District for the fiscal year ended June 30, 2018. Within the year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with Proposition 39 and Measure J General Obligation Bonds funding. We performed the following procedures:

- We made inquiries of management regarding internal controls in place to prevent fraud or waste regarding projects, including budgetary controls, ensuring adequate separation of duties exist in the fiscal services department for funds, prevent material misstatement in the financial statements, and the ensuring of expenditures being allocated to the appropriate fund.
- We reviewed the District's bond project publicized list of intended projects.
- We selected a sample of expenditures in the fiscal year ended June 30, 2018, and reviewed supporting documentation to ensure that funds were properly expended on the specific projects as outlined in the publicized list and that they met the requirements for bidding, if applicable.
- We compared total project expenditures to budgets to determine if there were any expenditures in excess of appropriation.
- We verified that funds were expended only for the purposes for which the bonds were issued, as specified in the official statement of bond indenture submitted by the District to the County Auditor.
- We verified that funding was not used for salaries of school administrators or other operating expenditures of the District.
- We verified that the Measure J Bond Oversight Committee reviewed project expenditures and issued reports on the results of its activities at least annually.

CONCLUSION

Based upon the procedures performed, we found that for the items tested, the District has properly accounted for the expenditures of the Proposition 39 and Measure J General Obligation Bonds. Further, it was noted that the funds were not used for salaries of school administrators or other operating expenditures. Our audit does not provide a legal determination on the District's compliance with the specific requirements.

FINDINGS AND RECOMMENDATIONS SECTION

Kern Community College District
Proposition 39 and Measure J General Obligation Bonds
SCHEDULE OF AUDIT FINDINGS
June 30, 2018

None.

Kern Community College District
Proposition 39 and Measure J General Obligation Bonds
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2018

None.