

KERN COMMUNITY COLLEGE DISTRICT  
PROPOSITION 39 GENERAL OBLIGATION BONDS  
SAFETY, REPAIR AND IMPROVEMENT DISTRICT  
FINANCIAL AUDIT  
FISCAL YEAR ENDED JUNE 30, 2011

KERN COMMUNITY COLLEGE DISTRICT  
PROPOSITION 39 GENERAL OBLIGATION BONDS  
SAFETY, REPAIR AND IMPROVEMENT DISTRICT  
JUNE 30, 2011

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**SHINAULT BAKER & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance for the Proposition 39 General Obligation Bonds Safety, Repair and Improvement District of the Kern Community College District (the "District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Proposition 39 Building Fund, consisting of the net construction proceeds of Measure G general obligation bonds as issued by the District, and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of operations for the Proposition 39 general obligation bonds of Kern Community College District as of June 30, 2011, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Districts financial statements as a whole. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Shinault Baker & Company  
Certified Public Accountants  
January 26, 2012

**KERN COMMUNITY COLLEGE DISTRICT**  
**BALANCE SHEET**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**SAFETY, REPAIR AND IMPROVEMENT DISTRICT**  
**JUNE 30, 2011**

**ASSETS**

Cash	\$ 47,269,658
Accounts receivable	<u>87,162</u>
Total Assets	<u>\$ 47,356,820</u>

**LIABILITIES**

Accounts payable	\$ <u>440,121</u>
Total Liabilities	440,121

**FUND BALANCE**

Fund balance	<u>46,916,699</u>
Total Liabilities and Fund Balance	<u>\$ 47,356,820</u>

See the accompanying notes and accountant's report.

**KERN COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**SAFETY, REPAIR AND IMPROVEMENT DISTRICT**  
**FOR THE YEAR ENDED JUNE 30, 2011**

REVENUES		
Interest income	\$	584,820
	Total Revenues	584,820
EXPENDITURES		
Capital outlay		5,520,782
Supplies and materials		644
Professional and consulting		516,515
Salaries and benefits		589,730
Other expenses and services		49,347
	Total Expenditures	6,677,018
	Net Change in Fund Balance	(6,092,198)
FUND BALANCE, BEGINNING OF YEAR		53,008,897
FUND BALANCE, END OF YEAR		\$ 46,916,699

See the accompanying notes and accountant's report.

**KERN COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**SAFETY, REPAIR AND IMPROVEMENT DISTRICT**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<b>REVENUES</b>			
Interest income	\$ 1,059,412	\$ 584,820	\$ (474,592)
Total Revenues	1,059,412	584,820	(474,592)
<b>EXPENDITURES</b>			
Capital outlay	12,064,269	5,520,782	6,543,487
Supplies and materials	900	644	256
Professional and consulting	655,184	516,515	138,669
Rents, leases and repairs	595,500	-	595,500
Salaries and benefits	487,018	589,730	(102,712)
Other expenses and services	-	49,347	(49,347)
Total Expenditures	<u>13,802,871</u>	<u>6,677,018</u>	<u>7,125,853</u>
Net Change in Fund Balance	<u>\$ (12,743,459)</u>	<u>\$ (6,092,198)</u>	<u>\$ 6,651,261</u>

See the accompanying notes and accountant's report.

KERN COMMUNITY COLLEGE DISTRICT  
PROPOSITION 39 GENERAL OBLIGATION BONDS  
SAFETY, REPAIR AND IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The mission of the Kern Community College District is to provide outstanding education programs and services that are responsive to students and communities.

The Kern Community College District (the "District") includes approximately 12,800 square miles, encompasses Kern County, Tulare County and San Bernardino County. 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 Improvement District voted on whether \$180 million in bonds should be issued on behalf of the District. More than fifty five percent of the electors voting on the proposition voted in favor of such issuance.

The 2003 A Bonds were the first series of bonds issued under the authorization. The net proceeds of the 2003 A Bonds of \$75,191,548 will be used to finance the improvement, renovation, construction, equipping and acquisition of the buildings and classrooms for Bakersfield, Cerro Coso and Porterville Colleges of the District.

Accounting Policies

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants (AICPA).

Fund Structure

The Statement of Revenues, Expenditures and Changes in Fund Balance is a statement of financial activities of the Proposition 39 General Obligation Bonds Safety, Repair and Improvement District Fund related to the current reporting period. Expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, this statement does not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

Basis of Accounting

The Proposition 39 General Obligation Bonds Safety, Repair and Improvement District Fund of the Kern Community College District is maintained on the modified accrual basis of accounting. As much, 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 rendered).

Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

KERN COMMUNITY COLLEGE DISTRICT  
PROPOSITION 39 GENERAL OBLIGATION BONDS  
SAFETY, REPAIR AND IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portion of applicable appropriation for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid.

Deposits and Investments

In accordance with Education Code Sections 15357 and 41001, the District maintains its cash with the Kern County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Budget

The Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual includes a column titled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.

Capital Assets and Long-Term Debt

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Proposition 39 General Obligation Bonds Safety, Repair and Improvement District are determined by its 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 Proposition 39 General Obligation Bonds Safety, Repair and Improvement District are accounted for in the basic financial statements of the Kern Community College District.



KERN COMMUNITY COLLEGE DISTRICT  
PROPOSITION 39 GENERAL OBLIGATION BONDS  
SAFETY, REPAIR AND IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE - 2 CASH AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligation. Investments of debt proceeds held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities up to 30 years.

Cash in County Treasury – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Summary of Cash and Investment

Cash in county treasury as of June 30, 2011, consist of the following:

Cash in county treasury, at cost	<u>\$ 47,269,658</u>
Total cash in treasury	<u>\$ 47,269,658</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair market value of an investment. Generally, the longer of the maturity of an investment, the greater the sensitivity of its fair market value to changes in market interest rates. The district manages its exposure to interest rate risk by investing all funds in the county investment pool.

Credit Risk

Credit risk is the risk that an issue of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Kern County Investment Pool are rated at least A by Moody's Investor Service.

KERN COMMUNITY COLLEGE DISTRICT  
 PROPOSITION 39 GENERAL OBLIGATION BONDS  
 SAFETY, REPAIR AND IMPROVEMENT DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2011

NOTE - 2 CASH AND INVESTMENTS (continued)

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable totaling \$87,161.81 for June 30, 2011 consist of interest earned on investments and other receivables.

NOTE 4 - BONDED DEBT

General Obligation Bonds Issued in March 2003 and November 2005

On November 5, 2002, the voters authorized the issuance and sale of general obligation bonds totaling \$180,000,000. On March 6, 2003, \$75,191,548 of general obligation bonds were sold under Proposition 39/Safety Repair and Improvement District which provides that proceeds of the bonds will generally be used for the acquisition, construction, furnishing, and equipping of District facilities. Interest rates vary from 2.00% to 6.78%. The final maturity year is 2028.

On November 2, 2005, the District completed refunding of \$54,025,132 on the general obligation bonds sold on March 6, 2003 to reduce its debt service payments over the next 12 years by \$775,000 and obtain an economic gain of \$423,194. Interest rates vary from 3.00% to 5.00%. The final maturity year is 2021.

The outstanding unrefunded and refunding related bonds payable at June 30, 2011 is:

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2010	Additions Current Year	Redeemed Current Year	Outstanding June 30, 2011
2003	2.00-6.78	2028	\$75,191,548	\$10,956,548	\$ -	\$1,610,000	\$9,346,548
2005	3.00-5.00	2021	\$54,025,132	\$51,165,132	\$ -	\$2,060,000	\$49,105,132

KERN COMMUNITY COLLEGE DISTRICT  
 PROPOSITION 39 GENERAL OBLIGATION BONDS  
 SAFETY, REPAIR AND IMPROVEMENT DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2011

NOTE 4 - BONDED DEBT (continued)

The annual requirements to amortize unrefunded and refunding bonds payable, outstanding as of June 30, 2011 are as follows:

Year Ended June 30,	Unrefunded Principal *	Refunding Principal **	Total Principal
2012	1,915,000	1,533,841	3,448,841
2013	2,275,000	2,250,000	4,525,000
2014	2,655,000	941,111	3,596,111
2015	-	1,680,406	1,680,406
2016	-	1,579,774	1,579,774
2017-2021	-	32,595,000	32,595,000
2022-2026	-	8,525,000	8,525,000
2027-2028	2,501,548	-	2,501,548
	<u>9,346,548</u>	<u>49,105,132</u>	<u>58,451,680</u>

\* Does not include \$1,841,796 of accreted interest on capital appreciation bonds.  
 \*\* Does not include \$4,523,997 of accreted interest on capital appreciation bonds.

Year Ended June 30,	Unrefunded Interest *	Refunding Interest **	Total Interest
2012	251,805	2,755,559	3,007,364
2013	149,755	2,046,338	2,196,093
2014	47,790	3,447,415	3,495,205
2015	-	5,113,117	5,113,117
2016	-	5,483,752	5,483,752
2017-2021	-	6,354,688	6,354,688
2022-2026	-	205,625	205,625
2027-2028	10,488,452	-	10,488,452
	<u>10,937,802</u>	<u>25,406,494</u>	<u>36,344,296</u>

The unrefunded bonds were issued at a premium of \$3,201,567 with issuance costs of \$1,163,019 and the refunding bonds were issued at a premium of \$6,923,478 with issuance costs of \$805,251. The proceeds of the bond premium less issuance costs and the repayment of the debt related to the Proposition 39 General Obligation Bonds Safety, Repair and Improvement District are accounted for in the District's Bond Interest and Redemption Fund which is part of the Kern Community College District's basic financial statements.

KERN COMMUNITY COLLEGE DISTRICT  
 PROPOSITION 39 GENERAL OBLIGATION BONDS  
 SAFETY, REPAIR AND IMPROVEMENT DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2011

NOTE 4 - BONDED DEBT (continued)

General Obligation Bonds Issued in September 2006

On September 26, 2006, \$49,999,533 of general obligation bonds were sold under Proposition 39/Safety Repair and Improvement District which provides that proceeds of the bonds will generally be used for the acquisition, construction, furnishing, and equipping of District facilities. Interest rates vary from 4.25% to 5.00%. The final maturity year is 2030.

The outstanding related bonded debt for the Kern Community College District at June 30, 2011 is:

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2010	Additions Current Year	Redeemed Current Year	Outstanding June 30, 2011
2006	4.25-5.00	2030	\$49,999,533	\$49,599,533	\$-	\$200,000	\$49,399,533

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2011 are:

Year Ended June 30,	Principal *	Interest	Total
2012	260,000	715,113	975,113
2013	350,000	702,150	1,052,150
2014	435,000	685,469	1,120,469
2015	1,000,000	654,975	1,654,975
2016	1,155,000	604,850	1,759,850
2017-2021	9,065,000	1,901,213	10,966,213
2022-2026	20,565,487	24,551,763	45,117,250
2027-2030	16,569,046	32,960,954	49,530,000
	<u>49,399,533</u>	<u>62,776,487</u>	<u>112,176,020</u>

\* Does not include \$9,165,434 of accreted interest on capital appreciation bonds.

The bonds were issued at a premium of \$3,354,466 with issuance costs of \$835,832. The proceeds of the bond premium less issuance costs and the repayment of the debt related to the Proposition 39 General Obligation Bonds Safety, Repair and Improvement District are accounted for in the District's Bond Interest and Redemption Fund which is part of the Kern Community College District's basic financial statements.

Combined General Obligation Bonded Debt as of June 30, 2011 is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	3,708,841	3,722,477	7,431,318
2013	4,875,000	2,898,243	7,773,243
2014	4,031,110	4,180,673	8,211,783
2015	2,680,408	5,768,092	8,448,500
2016	2,734,774	6,088,602	8,823,376
2017-2021	41,660,000	8,255,900	49,915,900
2022-2026	29,090,487	24,757,388	53,847,875
2027-2030	19,070,594	43,449,406	62,520,000
	<u>107,851,214</u>	<u>99,120,781</u>	<u>206,971,995</u>

#### NOTE 5 - COMMITMENTS AND CONTINGENCIES

The Safety, Repair and Improvement District have commitments in the form of construction contracts. As of June 30, 2011, the remaining unspent portion of these contractual commitments is approximately \$6,706,441 as follows:

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

#### NOTE - 6 SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 26, 2012, which is the date the financial statements were available to be issued, as of this date no subsequent events that would materially misstate the financial statements have been brought to our attention.



**SHINAULT BAKER & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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

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

We have audited the financial statements of the Proposition 39 General Obligation Bonds Safety, Repair and Improvement District of the Kern Community College District (the "District") as of and for the year ended June 30, 2011, and have issued our report thereon dated January 26, 2012. 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.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Trustees, Citizens' Bond Oversight Committee and taxpayers of the District; it is not intended to be and should not be used by anyone other than these specified parties.

*Shinault Baker & Co.*

Shinault Baker & Company  
Certified Public Accountants  
Bakersfield California  
January 26, 2012



**SHINAULT BAKER & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS**

INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

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

We have audited the financial statements of Proposition 39 General Obligation Bonds Safety, Repair and Improvement District of the Kern Community College District (the "District") as of and for the year ended June 30, 2011, and have issued our report thereon dated January 26, 2012. 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.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In connection with our performance audit, we performed an audit for compliance as required in the performance requirements for the Proposition 39 General Obligation Bonds Measure G for the fiscal year June 30, 2011. The objective of the audit of compliance applicable to the District is to determine with reasonable assurance that:

- The proceeds from the sale of the Proposition 39 General Obligation Bonds Measure G were only used for the purpose set forth in the ballot measure and not for any other purpose, such as teacher and administrative salaries.
- The Board of Trustees of the District, in establishing the approved projects set forth in the ballot measure, evaluated the remodeling, new constructions and renovations of items which will improve learning and to accommodate growth in the District, with no funds expended on administrator salaries.

In performing our audit of compliance, we performed procedures including but not limited to those listed as follows:

Internal Control Evaluation
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Procedures Performed:

Inquiries were made of management regarding internal controls to:

- Prevent fraud or waste regarding Measure G projects, including budgetary controls
- Ensure adequate separation of duties exists in the fiscal services department for Measure G funds
- Prevent material misstatements in the financial statements
- Ensure expenditures are allocated to the proper fund(s)

We then performed substantive tests of financial statement balances to determine whether the controls designed by management were operating effectively, and to provide reasonable assurance that the fiscal year 2010-11 financial statement balances for the Proposition 39 Building Fund Measure G are not materially misstated.

Internal Control Evaluation (continued)

Results of Procedures Performed:

The result of our audit tests show that internal control procedures appear to be working to meet the financial compliance objectives required by generally accepted accounting standards and applicable laws and regulations. An unqualified opinion was expressed on the financial statements.

Facilities Site Walk

Procedures Performed:

We performed a site walk to verify that Measure G funds expended for the fiscal year ended June 30, 2011 were for valid remodeling, new constructions and renovations purposes. Shinault Baker and Company toured two of the four District construction sites where the majority of the funds were allocated:

Cerro Coso College – With the assistance of John Daly, Maintenance of Operations Manager and Daniel W. Reed, Construction Project Manager, we toured the Cerro Coso College site and viewed the following modernizations;

***Science Modernization Building*** - we viewed the entire modernization of the east wing of the IWV campus main building (third floor). We noted new rooms had been erected for science, engineering, physics, chemistry lab with storage for chemicals, EOPS special services and building room 358 which was currently used for storage until other projects are completed. Each room was dully equipped with tables, chairs cabinets, new paint, electrical etc.

***Student Center Modernization Building*** - we viewed the entire modernization of the IWV campus main building (first and second). We viewed a new ceiling for the hall way were the building was extended, new book store, ABS office equipped with computer that students can use at their discretion, cafeteria, sitting room for students to gather, and miscellaneous other items purchased; each room was fully equipped with tables, chairs cabinets, new paint, electrical etc. We also noted WiFi outputs throughout the building making the entire building a hot zone.

***Fine Arts Modernization Building*** - we viewed the entire modernization of the IWV campus building (first floor West Wing). We noted the following during our tour, new restrooms, resources storage room for materials, four faculty offices, ceramic lab with storage room, canopy outdoor room, wood shop room equipped with chain link fence for the storage of materials and welding room, each of the last two had several pieces of equipment purchased with bond funded monies; each room was fully equipped with tables, chairs cabinets, new paint, electrical etc.

***Small Projects*** - we viewed small projects constructed during fiscal year 2011 throughout the campus. We noted two new bridges that link the parking lot walkway to the main office building, two new doors, both automatic, new roof for the welding building and metal beams for support added throughout the building

Bakersfield College – With the assistance of Joe DeRosa, Construction Project Manager and Bill Garrett HVAC Operator we toured the Bakersfield College site and viewed the ***Energy Management System Replacement and Irrigation (EMSRI)***. The main computer frame is set up and controlled by Bill in his office, which is within the Management and Operations building. We also viewed the Management and Operations buildings Air Hammer/Building control panel that communicates with the mainframe computer in Bill's office.

Results of Procedures Performed:



Results of the site walks indicate that the major 2010-11 Measure G construction projects at Cerro Coso College and Bakersfield College were successfully completed and advanced into 2011-12 expenditure/construction phases where applicable.

Test of Expenditures

Procedures Performed:

The following performance tests of expenditures and transfers were performed:

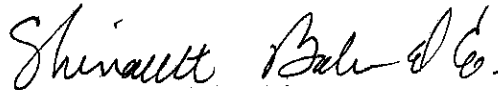
We tested approximately \$2.1 million (25%) of the 2010-11 Measure G expenditures (30 separate payments) for occurrence, authorization, completeness, accuracy, cutoff and classification. Expenditures sampled in our test included payments made to contractors, consultants and other vendors.

Results of Procedures Performed:

We found the expenditures and transfers tested to be in compliance with the terms of the Measure G ballot measures, Facilities Plan, and applicable state laws and regulations without exception.

In our opinion, the District complied with the compliance requirements for the Proposition 39 General Obligation Bonds Measure G.

This report is intended solely for the information and use of management, the Board of Trustees, Citizens' Bond Oversight Committee and taxpayers of the District; it is not intended to be and should not be used by anyone other than these specified parties.



Shinault Baker & Company  
Certified Public Accountants  
Bakersfield California  
January 26, 2012

**KERN COMMUNITY COLLEGE DISTRICT  
PROPOSITION 39 GENERAL OBLIGATION BONDS  
SAFETY, REPAIR AND IMPROVEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2011**

Current Year Findings

There were no findings and questioned costs related to the financial audit of the Proposition 39 General Obligation Bonds Measure G for the fiscal year ended June 30, 2011.

Prior Year Findings

None.