

Bound version of the audit  
presented to the Board of Trustees  
April 14, 2005.

KERN COMMUNITY COLLEGE  
DISTRICT  
MEASURE G BOND FUND  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004



**DARRELL HARRIS**  
certified public accountant  
professional corporation

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**DARRELL HARRIS**  
certified public accountant  
professional corporation

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Kern Community College District  
Bakersfield, California

I have audited the accompanying financial statements of the Measure G Bond Fund of Kern Community College District (District) as of June 30, 2004, as listed in the table of contents, and the accompanying supplementary information contained in the schedule of fund revenues and expenses, budget to actual which is presented only for supplementary analysis purposes only. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, the financial statements present only the Measure G Bond Fund and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2004, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure G Bond Fund of the District as of June 30, 2004, and the changes in financial position 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 my report dated January 12, 2005, on my consideration of the Measure G Bond Fund's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Darrell Harris  
Certified Public Accountant  
January 12, 2005

KERN COLLEGE COMMUNITY DISTRICT  
MEASURE G BOND FUND  
BALANCE SHEET  
JUNE 30, 2004

	BUILDING FUND	DEBT SERVICE FUND	ELIMINATION OF INTER FUND ACCOUNTS	COMBINED FUNDS
<b>ASSETS</b>				
Cash in County Treasury	\$ 66,887,157	\$ 3,822,555	\$ -	\$ 70,709,712
Interest Receivable	270,364	16,864		287,228
Due From Other Funds	460,890		(356,691)	104,199
Total Assets	<u>\$ 67,618,411</u>	<u>\$ 3,839,419</u>	<u>\$ (356,691)</u>	<u>\$ 71,101,139</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 6,027,575	\$ -	\$ -	\$ 6,027,575
Due to Building Fund		356,691	(356,691)	-
Total liabilities	<u>6,027,575</u>	<u>356,691</u>	<u>(356,691)</u>	<u>6,027,575</u>
FUND BALANCES (DEFICIT)	<u>61,590,836</u>	<u>3,482,728</u>		<u>65,073,564</u>
Total liabilities and fund balance	<u>\$ 67,618,411</u>	<u>\$ 3,839,419</u>	<u>\$ (356,691)</u>	<u>\$ 71,101,139</u>

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

KERN COLLEGE COMMUNITY DISTRICT  
MEASURE G BOND FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2004

	BUILDING FUND	DEBT SERVICE FUND	COMBINED FUNDS
<b>REVENUES</b>			
Interest earned	\$ 1,177,652	\$ 48,080	\$ 1,225,732
Total revenues	<u>1,177,652</u>	<u>48,080</u>	<u>1,225,732</u>
<b>EXPENDITURES</b>			
Capital outlay and expenditures	12,759,754		12,759,754
Bond interest expense		3,517,455	3,517,455
Other services and expenses		6,349	6,349
Total expenditures	<u>12,759,754</u>	<u>3,523,804</u>	<u>16,283,558</u>
Excess (deficiency) of revenues over expenses	(11,582,102)	(3,475,724)	(15,057,826)
<b>OTHER FINANCING SOURCES:</b>			
Property taxes		<u>4,958,334</u>	<u>4,958,334</u>
Excess (deficiency) of revenues and other source over expenses	(11,582,102)	1,482,610	(10,099,492)
FUND BALANCES, JUNE 30, 2003	73,172,938	2,000,118	75,173,056
FUND BALANCES, JUNE 30, 2004	<u>\$ 61,590,836</u>	<u>\$ 3,482,728</u>	<u>\$ 65,073,564</u>

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

KERN COLLEGE COMMUNITY DISTRICT  
MEASURE G BOND FUND  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2004

	BUILDING FUND	DEBT SERVICE FUND	COMBINED FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received for interest	\$ 1,005,954	\$ 349,011	\$ 1,354,965
Cash received for property taxes		4,958,334	4,958,334
Cash paid for capital outlays and expenditures	(7,207,523)		(7,207,523)
Cash paid for bond interest		(3,517,455)	(3,517,455)
Cash paid for other services and expenses	0	(6,349)	(6,349)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(6,201,569)	1,783,541	(4,418,028)
NET INCREASE (DECREASE) IN CASH	(6,201,569)	1,783,541	(4,418,028)
CASH AT BEGINNING OF YEAR	73,088,726	2,039,014	75,127,740
CASH AT END OF YEAR	\$ 66,887,157	\$ 3,822,555	\$ 70,709,712

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

KERN COMMUNITY COLLEGE DISTRICT  
MEASURE G BOND FUND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 1            GENERAL INFORMATION

The Kern Community College District (District) provides higher education 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, and has several outreach centers in outlying areas.

Measure G is a facilities and equipment bond measure for the District adopted by the Board of Trustees and passed by voters on November 5, 2002. The District was authorized by Measure G to issues \$180 million of general obligation bonds. The District has determined to issue the bonds in three series. On March 7, 2003, the first series was issued in the amount of \$75,191,548. These bonds are financed over 25 years with principal and interest payments due each November 1 and March 1 beginning November 1, 2004.

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

The District has established a separate capital project fund to account for the activities of the Measure G bonds.

NOTE 2            SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The accompanying financial statements include only the Measure G Bond Fund (a capital project fund) of the District and the debt service fund.

MEASURE FOCUS AND BASIS OF ACCOUNTING

The District accounts for financial transactions in accordance with policies and procedures of the California Community Colleges Budget and Accounting Manual, 2003 edition. This manual, according to Section 84030 of the State of California Education Code, is to be followed by all California Community College districts.

(Continued on following page)

KERN COMMUNITY COLLEGE DISTRICT  
MEASURE G BOND FUND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 2            SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

MEASURE FOCUS AND BASIS OF ACCOUNTING (Continued)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Measure G Bond Fund is a governmental fund type. Government fund types are presented using the flow of current financial resources measurement focus. With this measurement focus, operating statements present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets and unreserved fund balance as a measure of available spendable resources.

The governmental fund types use the modified accrual basis of accounting. 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 with the current period or soon enough thereafter to pay liabilities of the current period. A one-year availability period is used for revenue recognition. Expenditures are recorded when the related fund liability is incurred.

CASH AND CASH EQUIVALENTS

Funds invested in the county treasurer's investment pool are considered cash equivalents. 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 is recorded at the value of the pool shares held, which approximates the fair value of the underlying cash and investments of the pool.

FUND BALANCE

The fund balance represents amounts reserved for expenditure on Measure G approved projects.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(Continued on following page)



KERN COMMUNITY COLLEGE DISTRICT  
MEASURE G BOND FUND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 3 CASH

As provided for by Education Code, Section 41001, a significant portion of the District's cash balances of most funds is required to be deposited with the County Treasurer for the purpose of increasing interest earned through County investment activities.

The County is authorized by California Government Code Section 53468 et seq to deposit cash and invest excess funds. While The District is able to determine the value of its' deposits with the County as of June 30, 2003, the County is unable to determine the carrying amount and bank balances of the District's total deposits with the County as of June 30, 2003, or under which categories the bank balances and/or investments apply. In addition, the District is unable to determine whether the County has invested directly or indirectly in any derivative instruments.

As of the date of these financial statements, the County of Kern's 2004 audited financial statements were not yet available. Copies of the County's audited financial statements can be obtained from the Kern County Auditor Controller's Office, 1115 Truxtun Avenue, Bakersfield, California, 93301.

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

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

NOTE 4 COMMITMENTS AND CONTINGENCIES

As part of tax laws surrounding tax-exempt bonds, investment earnings, with certain adjustments, on unexpended bond proceeds are limited to the interest rate paid on the bond debt. Arbitrage (i.e. excess investment earnings) is required to be rebated to the federal government every five years for as long as the bonds are outstanding. At June 30, 2004, no arbitrage liability was deemed necessary.

The Measure G Bond Fund has commitments for construction at June 30, 2004; the amount remaining on these contracts is approximately \$4.5 million.

(Continued on following page)

KERN COMMUNITY COLLEGE DISTRICT  
MEASURE G BOND FUND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 5 BONDS ISSUED AND OUTSTANDING

On March 7, 2004, the Kern Community College Safety, Repair and Improvement District (Improvement District) of the Kern Community College District issued bonds in the principal amount of \$75,191,548 to be used for the purpose of financing college facilities. The bonds were issued in two types: Current Interest Bonds in the sum of \$72,690,000 and Capital Appreciation Bonds in the sum of \$2,501,548.

The Current Interest Bonds accrue interest at rates ranging from 2.00% to 4.60% with the interest payable semiannually on May 1 and November 1 of each year commencing November 1, 2003 and a maturity date of November 1, 2013.

The Capital Appreciation Bonds accrue interest at rates ranging from 5.38% to 5.40% payable on their dates of maturity. Said maturities begin on November 1, 2007 and end on March 1, 2028.

Both of these bonds represent a general obligation of the Improvement District. The payment of principal and interest is to be funded by property taxes assessed on real property within the Improvement District. The following table reflects the debt service schedule for both bonds.

Year Ended June 30,	Principal	Interest	Total
2004	\$ -	\$ 3,517,455	\$ 3,517,455
2005	1,860,000	3,139,215	4,999,215
2006	2,095,000	3,099,665	5,194,665
2007	2,345,000	3,055,265	5,400,265
2008	2,610,000	3,005,715	5,615,715
2009-2013	9,990,000	13,831,825	23,821,825
2014-2018	9,200,000	11,835,734	21,035,734
2019-2023	18,475,000	8,740,737	27,215,737
2024-2028	26,115,000	3,559,474	29,674,474
	<u>\$ 72,690,000</u>	<u>\$ 53,785,085</u>	<u>\$ 126,475,085</u>



**DARRELL HARRIS**  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees  
Kern Community College District  
Bakersfield, California

I have audited the financial statements of the Measure G Bond Fund of Kern Community College District as of and for the year ended June 30, 2004, and have issued my report thereon dated January 12, 2005. I conducted my 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.

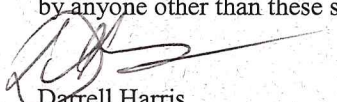
Compliance

As part of obtaining reasonable assurance about whether the financial statements of the Measure G Bond Fund of Kern Community College District are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Measure G Bond Fund of Kern Community College District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matter involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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

  
Darrell Harris  
Certified Public Accountant  
January 12, 2005





# **DARRELL HARRIS**

certified public accountant  
professional corporation

Board of Trustees  
Kern Community College District  
Bakersfield, California

## **Audit Objective, Scope and Methodology**

This performance audit of the Measure G Bond Fund is required under Proposition 39 (Prop 39), passed by California voters in the November 7, 2000 general election, which amended the California Constitution. Provisions of Prop 39 require an annual, independent performance audit to ensure that the proceeds from the sale of school facilities bonds have been expended on specified projects, and not for teacher and administrator salaries and other school operating expenses. On November 5, 2002, the voters of Kern County approved Measure G, a facilities and equipment bond measure for the Kern Community College District (the District). Based on the requirement of Prop 39, I identified the following objectives:

Identify all school facility projects authorized under Prop 39 and approved by the passing of Measure G to determine bond funds were expended only for these authorized projects.

Review the administration of the Measure G bond funds, including the development and maintenance of internal controls and procedures to ensure compliance with both Prop 39 and Measure G provisions.

During the period December 15, 2004 through January 12, 2005, I conducted my fieldwork for the audit of the basic financial statements of the District. The scope of the audit encompassed the District's Measure G Bond Fund established within the financial reporting system of the District.

To achieve the performance audit objectives, I conducted my 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.

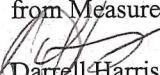
The following audit procedures were performed:

Review of Prop 39 provisions, Article 13A, Section 1(b)(3) of the California Constitution, Measure G bond literature and any other documents deemed necessary.

Interview District staff and document the internal controls and procedures established for the administration of Measure G bond funds. Review a sample of vendor invoices paid with Measure G bond funds to ensure expenditures were properly authorized and processed according to established internal control procedures and recorded under an approved project.

## **Findings and Recommendations**

My audit disclosed no instances that I determined were instances of noncompliance with the terms of Prop 39 or Measure G. Nothing came to my attention to indicate that the District didn't implement appropriate management controls to ensure the bond proceeds are administered economically, efficiently and effectively. In addition, nothing came to my attention that teacher and administrative salaries were paid from Measure G funds.

  
Darrell Harris  
Certified Public Accountant  
January 12, 2005

## SUPPLEMENTAL INFORMATOION

**KERN COMMUNITY COLLEGE DISTRICT  
MEASURE G BOND ACTIVITY  
DATE OF ISSUE TO JUNE 30, 2004**

**BOND IMPLEMENTATION / CAPITAL OUTLAY  
PROJECTS**

	CODE	Budget	Accumulated Expenditures To June 30, 2004	To Date Variance From Budget
<b>Renovations, Remodels &amp; New Facilities</b>				
<b>Bakersfield College</b>				
Delano Center: Land Acquisition, LRC/Multipurpose Center	B.2 / FMP	14,819,584	1,839,210	12,980,374
Applied Science/Technology (AST) Modernization	B.6 / FMP	452,500	370,681	81,819
Baseball Club House	B.1	15,000	0	15,000
Planetarium Modernization	B.13	300,000	5,959	294,041
Student Services Modernization	B.2 / FMP	6,078,254	28,044	6,050,210
Clocks and Chimes	B.1	5,112	0	5,112
LSC (Southwest Center) Modernization	B.2 - Under Review	103,000	396,166	(293,166)
BC Athletic Fields	B.17 / FMP	850,000	3,600	846,400
<b>Cerro Coso College</b>				
Science Modernization (Also called Science Learning Center - Ridgecrest)	B.10 - Under Review	5,000,000	17,531	4,982,469
Main Campus Library (Budget includes equipment money)	B.12 / FMP	1,200,000	264,622	935,378
Childcare Facility Expansion - Cal City Shade Structure	B.20 / FMP	361,442	11,038	350,404
Kern River Center	FMP - Under Review	50,000	1,315	48,685



**BOND IMPLEMENTATION / CAPITAL OUTLAY  
PROJECTS**

	CODE	Budget	Accumulated Expenditures To June 30, 2004	To Date Variance From Budget
<b>Porterville College</b>				
Allied Health Relocatables	B.1 / FMP	1,767,926	1,962,164	(194,238)
Wellness Center	B.7 / FMP	1,430,413	25,545	1,404,868
Science/Math Modernization	FMP - Under Review	2,485,500	42,520	2,442,980
Childcare Facility (temporary space)	FMP - Under Review	330,000	6,953	323,048
Library Expansion & Learning Resource Center (includes Remodel for Efficiency)	FMP - Under Review	6,692,607	128,599	6,564,008

**Site Safety, Accessiblitiy, Infrastructure  
Bakersfield College**

Electrical Distribution	B.1 / FMP / SM-01, SM-02, SM-03	399,600	389,096	10,504
Student Services Elevator Replacement	B.1 / FMP	144,000	1,320	142,680
Bus Turnaround	B.1	58,082	57,122	960
Fire Hydrant	B.1	17,500	17,418	82
Vertical Access Survey	B.1 / FMP	70,000	21,551	48,449

**BOND IMPLEMENTATION / CAPITAL OUTLAY  
PROJECTS**

	CODE	Budget	Accumulated Expenditures To June 30, 2004	To Date Variance From Budget
<b>Cerro Coso College</b>				
Photo Voltaics	B.2 / FMP	9,400,000	8,296,612	1,103,388
Well and Water Distribution	B.2 - Cancelled	250,000	10,773	239,227
Maintenance & Operations New Vehicles (New Autos)	B.7 / FMP	50,000	46,686	3,314
Irrigation Systems	B.19 / FMP - Under Review	200,000	54,009	145,991
<b>Porterville College</b>				
Campus Alarm System	B.8 / FMP	100,000	2,136	97,864
Electrical, Mechanical, Plumbing & Misc Repairs, Phase I (Library HVAC and Plumbing Repairs)	FMP / SM-02	148,550	6,640	141,910
<b>Hazardous Materials Porterville College</b>				
Chemical Storage	FMP / HS-03	25,600	29,448	(3,848)
<b>Bond Implementation</b>				
Bond Implementation (including Master Planning) - FDO ( to be spread)	B / FMP	1,106,126	1,146,816	(40,690)

**BOND IMPLEMENTATION / CAPITAL OUTLAY  
PROJECTS**

	CODE	Budget	Accumulated Expenditures To June 30, 2004	To Date Variance From Budget
<b>Information Technology &amp; Equipment</b>				
<b>Learning Services Center</b>				
Development of District Wide Technology Systems (WAN/LAN Infrastructure) - Backend Systems Infrasture	B.2 / FMP - Under Review	5,000,000	94,924	4,905,076
<b>Project Refunds (Under Review)</b>		<u>0</u>	<u>(37,806)</u>	<u>37,806</u>
<b>TOTAL EXPENDITURES PER AUDIT</b>		<u><u>58,910,796</u></u>	<u><u>15,240,692</u></u>	<u><u>43,670,103</u></u>