

**KERN COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
SAFETY, REPAIR, AND IMPROVEMENT DISTRICT
MEASURE G FUND**

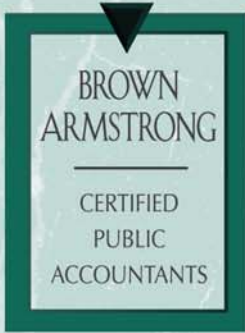
FINANCIAL AUDIT

FOR THE YEAR ENDED JUNE 30, 2017

**KERN COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
SAFETY, REPAIR, AND IMPROVEMENT DISTRICT
MEASURE G FUND
JUNE 30, 2017**

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BROWN ARMSTRONG

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 Measure G Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District of the Kern Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements for the Measure G Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting practices prescribed or permitted by the requirements of Article XIII A, Section I (b)(3)(C) of the California Constitution and Proposition 39 and in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity'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 entity'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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure G Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District of the Kern Community College District, as of and for the year ended June 30, 2017, in conformity with accounting principles generally accepted in the United States of America.

Restriction of Use

This report is intended solely for the information and use of management of the Measure G Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District of the Kern Community College District, Bakersfield, California; others within the District; and the Citizens' Bond Oversight Committee of the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2018, on our consideration of the District's internal control over financial reporting relating to the Measure G Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 relating to the Measure G Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the District's Measure G Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District. The Budgetary Comparison Information and the Schedule of Long-Term Obligations are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Bakersfield, California
February 6, 2018

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

KERN COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
SAFETY, REPAIR, AND IMPROVEMENT DISTRICT
MEASURE G FUND
BALANCE SHEET
JUNE 30, 2017

ASSETS

Cash	\$ 42,325,362
Receivables	135,113
	42,460,475
Total Assets	\$ 42,460,475

LIABILITIES

Accounts Payable	\$ 2,391,742
Due to Other Funds	-
	2,391,742
Total Liabilities	2,391,742

FUND BALANCE

Restricted	40,068,733
	40,068,733
Total Liabilities and Fund Balance	\$ 42,460,475

See independent auditor's report and accompanying notes to the financial statements.

**KERN COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
SAFETY, REPAIR, AND IMPROVEMENT DISTRICT
MEASURE G FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017**

REVENUES

Interest income	\$ 530,724
Other Income	694,602
Private contributions/gifts	<u>250,000</u>
Total Revenues	1,475,326

EXPENDITURES

Capital outlay	13,555,287
Supplies and materials	127,640
Professional and consulting	647,808
Rents, leases, and repairs	203,929
Salaries and benefits	851,137
Other expenses and services	<u>15,875</u>

Total Expenditures	15,401,676
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Net Change in Fund Balance	(13,926,350)
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FUND BALANCE, BEGINNING OF YEAR	<u>53,995,083</u>
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FUND BALANCE, END OF YEAR	<u><u>\$ 40,068,733</u></u>
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See independent auditor's report and accompanying notes to the financial statements.

**KERN COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
SAFETY, REPAIR, AND IMPROVEMENT DISTRICT
MEASURE G FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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 and 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. Proposition 39, Measure G was placed on the ballot for November 5, 2002, and the electors of the SRID voted on whether \$180 million in bonds should be issued on behalf of the District. More than 55% 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 \$14,945,000, the 2006 A Bonds of \$49,999,533, and the 2014 A Bonds of \$54,405,000 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 accounting principles generally accepted in the United States of America 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 Balances

As of June 30, 2017, fund balance of the Measure G Fund for the Proposition 39 General Obligation Bonds of the SRID is classified as follows:

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by the creditors, grantors, contributors, or the laws or regulations of other governments.

Encumbrances

Encumbrance accounting is used in the budgeted fund to reserve portions 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.

Basis of Accounting

The Measure G Fund for the Proposition 39 General Obligation Bonds of the SRID of the District is maintained 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 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments

In accordance with Education Code Sections 15357 and 41001, the District maintains its 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. These pooled funds are carried at cost, which approximates fair 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 accounting principles generally accepted in the United States of America 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 Balance – Budget and Actual, which can be found in the Supplementary Information Section, page 10, of the financial statements, includes a column titled “Budget.” The amounts in this column represent the budget adopted by the Citizens’ Bond Oversight Committee and all amendments throughout the year.

Amounts in budget line items are approved and available for expenditures during the fiscal year. Flexibility is granted to move budget availability between line items when needed. Total budgeted amounts are not exceeded during the fiscal year, without approval from the Oversight Committee.

Amounts over budget appropriations at June 30, 2017, were:

Supplies and materials	\$	126,440
Rents, leases, and repairs		203,929
Other expenses and services		15,875
Salaries and benefits		6,982
Professional and consulting		18,358

Capital Assets and Long-Term Debt

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Measure G 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 G Fund for the Proposition 39 General Obligation Bonds of the SRID are accounted for in the basic financial statements of the District.

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, and/or obligations with first priority security; and collateralized mortgage obligations. 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 Kern 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 its 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 Kern 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 Kern County Treasurer, which is recorded on the amortized cost basis.

Summary of Cash and Investments

Cash in Kern County Treasury as of June 30, 2017, consist of the following:

Cash in Kern County Treasury, at Cost	<u>\$ 42,325,362</u>
Total Cash in Kern County Treasury	<u>\$ 42,325,362</u>

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer 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 investments with the Kern County Investment Pool are rated, at least, by Moody's Investor Service.

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% of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 2 – CASH AND INVESTMENTS (Continued)

Fair Value Measurements

The District categorizes its fair value measurements within the framework established by GASB Statement No. 72, *Fair Value Measurement and Application*. That framework provides a three-tiered fair value hierarchy as follows:

- Level 1 – reflect unadjusted quoted prices in active markets for identical assets.
- Level 2 – reflect inputs that are based on a similar observable asset either directly or indirectly.
- Level 3 – reflect unobservable inputs.

The District has no recurring fair value measurements as of June 30, 2017.

	<u>Total</u>
Investments Measured at Amortized Cost	
Kern County Investment Pool	<u>\$ 42,325,362</u>
Total Pooled Investments	<u><u>\$ 42,325,362</u></u>

Treasury Pool Income and Participant Withdrawals

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.

NOTE 3 – DUE TO OTHER FUNDS

Due to other funds represents expenditures made by other District operating funds on behalf of the Measure G Fund for the Proposition 39 General Obligation Bonds of the SRID during fiscal year ended June 30, 2017. There was \$0 reported as due to other funds as of June 30, 2017.

NOTE 4 – ACCOUNTS PAYABLE

Accounts payable totaling \$2,391,742, which consists of services provided by vendors relating to construction projects in fiscal year ended June 30, 2017, but have not been paid as of June 30, 2017.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

The Measure G Fund for the Proposition 39 General Obligation Bonds of the SRID has commitments in the form of construction contracts. As of June 30, 2017, the remaining unspent portion of these contractual commitments is approximately \$16.4 million as follows:

Bakersfield College Maintenance & Operations Building	\$ 747,042
Network Systems	2,816
District Wide Security Access Hardware	381,152
Cerro Coso Main Building Modernization	<u>15,297,089</u>
	<u>\$ 16,428,099</u>

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 6, 2018, which is the date the financial statements were available to be issued. As of this date, no subsequent events that would cause material misstatements to the financial statements have been brought to our attention.

SUPPLEMENTARY INFORMATION

**KERN COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
SAFETY, REPAIR, AND IMPROVEMENT DISTRICT
MEASURE G FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH BUDGET</u>
REVENUES			
Transfer in from reserve - budget only	\$ 22,772,536	\$ 694,602	\$ (22,077,934)
Interest income	460,280	530,724	70,444
Other revenue	-	250,000	250,000
	<u>23,232,816</u>	<u>1,475,326</u>	<u>(21,757,490)</u>
EXPENDITURES			
Capital outlay	21,004,616	13,555,287	7,449,329
Supplies and materials	1,200	127,640	(126,440)
Professional and consulting	629,450	647,808	(18,358)
Rents, leases, and repairs	-	203,929	(203,929)
Salaries and benefits	844,155	851,137	(6,982)
Other expenses and services	-	15,875	(15,875)
	<u>22,479,421</u>	<u>15,401,676</u>	<u>7,077,745</u>
Net Change in Fund Balance	<u>\$ 753,395</u>	<u>\$ (13,926,350)</u>	<u>\$ (14,679,745)</u>

See independent auditor's report and accompanying note to the supplementary information.

**KERN COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
SAFETY, REPAIR, AND IMPROVEMENT DISTRICT
MEASURE G FUND
SCHEDULE OF LONG-TERM OBLIGATIONS
SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

General Obligation Bonds Issued March 2003

On November 5, 2002, the voters authorized the issuance and sale of general obligation bonds totaling \$180,000,000. On March 6, 2003, \$14,945,000 of general obligation bonds were sold under Measure G 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 rates vary from 2.00% to 6.78%. The final maturity year is 2028.

The outstanding unrefunded bonds payable at June 30, 2017, are:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2016</u>	<u>Additions Current</u>	<u>Reductions Current Year</u>	<u>Outstanding June 30, 2017</u>
2003*	2.00%-6.78%	2028	\$14,945,000	\$ -	\$ -	\$ -	\$ -

* Does not include \$6,477,435 of accreted interest on capital appreciation bonds.

The unrefunded bonds were issued at a premium of \$3,201,567 with issuance costs of \$1,163,019. The proceeds of the bond premium, less issuance costs, and the repayment of the debt related to the Measure G Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District are accounted for in the District's Measure G Fund, which is part of the District's basic financial statements.

General Obligation Bonds Issued September 2006

On September 26, 2006, \$49,999,533 of general obligation bonds were sold under Measure G 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 District facilities. Interest rates vary from 4.25% to 5.00%. The final maturity year is 2030.

The outstanding related bonded debt for the District at June 30, 2017, is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2016</u>	<u>Additions Current</u>	<u>Reductions Current Year</u>	<u>Outstanding June 30, 2017</u>
2006*	4.25%-5.00%	2030	\$49,999,533	\$35,824,533	\$ -	\$ 1,380,000	\$ 34,444,533

* Does not include \$24,098,496 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 Measure G Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District are accounted for in the District's Measure G Fund, which is part of the District's basic financial statements.

See independent auditor's report and accompanying note to the supplementary information.

**KERN COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
SAFETY, REPAIR, AND IMPROVEMENT DISTRICT
MEASURE G FUND
SCHEDULE OF LONG-TERM OBLIGATIONS (Continued)
SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

General Obligation Bonds Issued August 2013

On August 22, 2013, \$54,805,000 of general obligation bonds were sold under Measure G 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 District facilities. Interest rates vary from 2.00% to 5.75%. Final maturity in 2034.

The outstanding related bonded debt for the District at June 30, 2017, is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2016</u>	<u>Additions Current</u>	<u>Reductions Current Year</u>	<u>Outstanding June 30, 2017</u>
2014	2.00%-5.75%	2034	\$54,805,000	\$53,775,000	\$ -	\$ -	\$ 53,775,000

The bonds were issued at a premium of \$3,658,417 with issuance costs of \$347,493. The proceeds of the bond premium, less issuance costs, and the repayment of the debt related to the Measure G Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District are accounted for in the District's Measure G Fund, which is part of the District's basic financial statements.

Refunded Debt Issued March 2014

On March 27, 2014, the District issued \$40,035,000 in 2014 Series A Federally Taxable General Obligation Refunding Bonds. The 2014 Series A bonds were issued to refinance a portion of the outstanding 2005 General Obligation Refunding Bonds of the Safety, Repair, and Improvement District. Interest rates vary from 0.0281% to 3.193%. Final maturity in 2021.

On March 27, 2014, the District issued \$14,375,000 in 2014 Series B Federally Taxable General Obligation Refunding Bonds. The 2014 Series B bonds were issued to refinance a portion of the outstanding 2002, Series 2006 General Obligation Bonds of the Safety, Repair, and Improvement District. Interest rates vary from 2.00% to 5.00%. Final maturity in 2021.

The outstanding related refunded bond debt for the District at June 30, 2017, is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2016</u>	<u>Additions Current</u>	<u>Reductions Current Year</u>	<u>Outstanding June 30, 2017</u>
2014	0.0281%-3.193%	2021	\$40,035,000	\$37,935,000	\$ -	\$ 5,950,000	\$ 31,985,000
2014	2.00%-5.00%	2021	\$14,370,000	\$14,070,000	\$ -	\$ -	\$ 14,070,000

See independent auditor's report and accompanying note to the supplementary information.

**KERN COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
SAFETY, REPAIR, AND IMPROVEMENT DISTRICT
MEASURE G FUND
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

NOTE 1 – PURPOSE OF SCHEDULE

Schedule of Long-Term Obligations

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

General Obligation Bonds Issued September 2006

Year(s) Ended	Principal Payment	Interest Payment	Total Payments
2018	\$ -	\$ 473,613	\$ 473,613
2019	-	395,375	395,375
2020	-	299,375	299,375
2021	-	191,375	191,375
2022	-	67,250	67,250
2023-2027	22,158,588	31,706,612	53,865,200
2028-2031	12,285,945	25,759,055	38,045,000
Totals	\$ 34,444,533	\$ 58,892,655	\$ 93,337,187

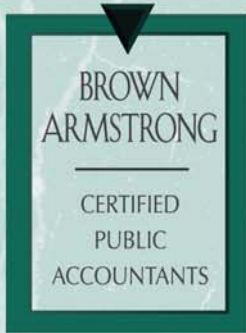
General Obligation Bonds Issued August 2013

Year(s) Ended	Principal Payment	Interest Payment	Total Payments
2018	\$ -	\$ 2,935,388	\$ 2,935,388
2019	-	2,935,388	2,935,388
2020	-	2,935,388	2,935,388
2021	-	2,935,388	2,935,388
2022	-	2,935,388	2,935,388
2023-2027	-	14,676,940	14,676,940
2028-2032	24,320,000	14,069,777	38,389,777
2033-2034	29,455,000	2,545,525	32,000,525
Totals	\$ 53,775,000	\$ 45,969,182	\$ 99,744,182

Refunded Debt Issued March 2014

Year(s) Ended	Principal Payment	Interest Payment	Total Payments
2018	\$ 7,820,000	\$ 1,360,452	\$ 9,180,452
2019	8,445,000	1,153,315	9,598,315
2020	9,130,000	896,407	10,026,407
2021	9,855,000	580,630	10,435,630
2022	10,805,000	203,447	11,008,447
Totals	\$ 46,055,000	\$ 4,194,251	\$ 50,249,251

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S 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

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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements for the Measure G Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District of the Kern Community College District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Measure G Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District of the District's financial statements and have issued our report thereon dated February 6, 2018.

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) relating to the Measure G Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control relating to the Measure G Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District. Accordingly, we do not express an opinion on the effectiveness of the District's internal control relating to the Measure G Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

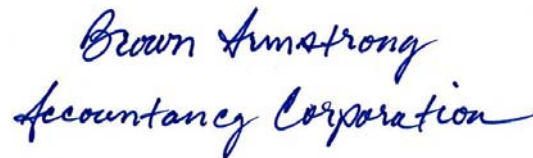
As part of obtaining reasonable assurance about whether the Measure G Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and 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 relating to the Measure G Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District. 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 relating to the Measure G Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District. Accordingly, this report is not suitable for any other purpose.

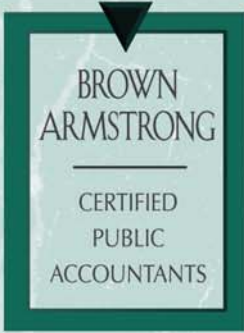
This report is intended solely for the information and use of management of the Measure G Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District of the Kern Community College District, Bakersfield, California; others within the Kern Community College District; and the Citizens' Bond Oversight Committee of the Kern Community College District, and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation".

Bakersfield, California
February 6, 2018

PERFORMANCE SECTION



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

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

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We have audited the basic financial statements of the Measure G Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District of the Kern Community College District (the District) as of and for the year ended June 30, 2017, and have issued our report thereon dated February 6, 2018. 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.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section I (b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section I (b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our test indicated that the District expended Proposition 39 General Obligation Bond funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section I (b)(3)(C) of the California Constitution.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
February 6, 2018

**KERN COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
SAFETY, REPAIR, AND IMPROVEMENT DISTRICT
MEASURE G FUND
PERFORMANCE REPORT
JUNE 30, 2017**

AUTHORITY FOR ISSUANCE

The Proposition 39 General Obligation Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The bonds are authorized to be issued by a resolution adopted by the Board of Trustees of the Kern Community College District (the District).

The District received authorization at elections held at various dates, as noted in the supplementary information section on pages 10 and 11, to issue bonds of the District in an aggregate principal amount not to exceed \$180,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55% of the votes cast by eligible voters within the District.

PURPOSE OF ISSUANCE

The net proceeds of the bonds and any other series of general obligation bonds issued under the authorization will be used for the purposes specified in the District bond proposition submitted at the election.

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities," upon approval by 55% of the electorate. In addition to reducing the approval threshold from two-thirds to 55%, Proposition 39 and the enacting legislation (Assembly Bill (AB) 1908 and AB 2659) requires the following accountability measures as codified in Education Code Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1 (b)(3)(C) of the California Constitution and not for any other purpose, including teacher and administrator salaries and other school operation expenses.
2. The school district must list the specific school facilities projects to be funded in the ballot measure and must certify that the governing board has evaluated safety, class size reduction, and information technology needs in developing the project list.
3. Requires the school district to appoint a citizen's oversight committee.
4. Requires the school district to conduct an annual independent financial audit and performance audit, in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, of the bond proceeds until all of the proceeds have been expended.
5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

**KERN COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
SAFETY, REPAIR, AND IMPROVEMENT DISTRICT
MEASURE G FUND
PERFORMANCE REPORT (Continued)
JUNE 30, 2017**

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charges to the Measure G Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District have been made in accordance with the bond project list approved by the voters through the approval of Proposition 39.
2. Determine whether salary transactions, if any, charged to the Measure G Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District were in support of Proposition 39 and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2016, to June 30, 2017. The population of expenditures tested 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, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2017, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2017, for the Measure G Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section I (b)(3)(C) of the California Constitution and Proposition 39 as to the approved bond projects list. We performed the following procedures:

1. Inquiries were made of management regarding internal controls to: Prevent fraud or waste regarding projects, including budgetary controls, ensure adequate separation of duties exists in the fiscal services department for funds, prevent material misstatements in the financial statements, and to ensure expenditures are allocated to the proper fund.
2. We selected a sample of expenditures for the period starting July 1, 2016, and ending June 30, 2017, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
 - a. We performed tests of controls over payroll and non-payroll expenditure samples. Our payroll testing was performed across the Measure G fund, whereby we tested all personnel payroll charged to the Measure G fund for two pay periods. Our non-payroll expenditure sample included transactions across both the Measure G and Measure J, Proposition 39 funds, for a total of 40 non-payroll samples tested. We additionally performed analytical procedures over non-payroll and payroll expense accounts to substantively test reasonableness for both funds.
 - b. We verified that funds from the Measure G Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District were expended for the construction, renovation, furnishing, and equipping of District facilities constituting authorized bond projects, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

**KERN COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
SAFETY, REPAIR, AND IMPROVEMENT DISTRICT
MEASURE G FUND
PERFORMANCE REPORT (Continued)
JUNE 30, 2017**

CONCLUSION

The result of our tests indicated that, in all significant respects, the Kern Community College District has properly accounted for the expenditures held in the Measure G Fund for the Proposition 39 General Obligation Bonds of the Safety, Repair, and Improvement District, and that such expenditures were made for costs authorized by the voters of the District.

**KERN COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
SAFETY, REPAIR, AND IMPROVEMENT DISTRICT
MEASURE G FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017**

Current Year Findings

None.

Prior Year Findings

None.