

SOUTHERN KERN UNIFIED SCHOOL DISTRICT

KERN COUNTY
ROSAMOND, CALIFORNIA

FINANCIAL AND PERFORMANCE AUDIT
2014 ELECTION GENERAL OBLIGATION BOND
BUILDING FUND

JUNE 30, 2018

JLG
Jeanette L. Garcia & Associates
CERTIFIED PUBLIC ACCOUNTANT

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
 2014 ELECTION GENERAL OBLIGATION BOND
 BUILDING FUND
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Financial Section



Jeanette L. Garcia,
CPA

INDEPENDENT AUDITOR’S REPORT

To the Board of Trustees and Citizens’ Oversight Committee
Southern Kern Unified School District
Rosamond, California

Report on the Financial Statements

We have audited the accompanying balance sheet of the Southern Kern Unified School District 2014 Election General Obligation Bond Building Fund, as of June 30, 2018, and the related statement of revenues, expenditures and change in fund balance for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

As discussed in Note 1, the financial statements present only the individual 2014 Election General Obligation Bond Building Fund of the Southern Kern Unified School District and are not intended to present fairly the financial position of the Southern Kern Unified School District in conformity with accounting principles generally accepted in the United States of America.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express opinions 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.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the transactions of the 2014 Election General Obligation Bond Building Fund of the Southern Kern Unified School District, as of and for the year ended June 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the balance sheet of the Southern Kern Unified School District 2014 Election General Obligation Bond Building Fund, the related statement of revenues, expenditures and changes in fund balance, and the related notes to the financial statements. The supplementary exhibits are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary exhibits have not been subjected to the auditing procedures applied in the audit of the balance sheet of the Southern Kern Unified School District 2014 Election General Obligation Bond Building Fund, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018, on our consideration of the Southern Kern Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southern Kern Unified School District's internal control over financial reporting and compliance.



San Bernardino, California
December 17, 2018

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
 2014 ELECTION GENERAL OBLIGATION BOND
 BUILDING FUND
BALANCE SHEET
 JUNE 30, 2018

ASSETS

Cash		\$	-
Cash in County Treasury			-
Accounts Receivable			-
			-
TOTAL ASSETS			-

LIABILITIES AND FUND BALANCE

Liabilities			
Accounts Payable		\$	-
Total Liabilities			-
Fund Balance			
Assigned			-
			-
TOTAL LIABILITIES AND FUND BALANCE			-

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
 2014 ELECTION GENERAL OBLIGATION BOND
 BUILDING FUND
STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>REVENUES</u>	
Interest	\$ -
 <u>EXPENDITURES</u>	
Facilities Acquisition and Construction	3,212,247
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	
	(3,212,247)
 <u>FUND BALANCE - JULY 1, 2017</u>	
	3,212,247
 <u>FUND BALANCE - JUNE 30, 2018</u>	
	\$ -

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
2014 ELECTION GENERAL OBLIGATION BOND
BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Southern Kern Unified School District conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California school districts. The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and by the American Institute of Certified Public Accountants. The following is a summary of the significant accounting policies:

Reporting Entity

On November 4, 2014, the District voters authorized up to \$28.4 million in General Obligation Bonds for the purpose of financing only specific school facilities projects listed in the Bond Project List. The measure was approved by more than 55% of the vote. In response, an advisory committee to the District's Board of Trustees and Superintendent, the Citizens' Bond Oversight Committee, was established. The Committee's oversight goals include: informing the public on the expenditures of Bond proceeds, reviewing expenditure reports to ensure that Bond proceeds are expended only for purposes set forth in the ballot measure, and ensuring compliance with conditions of the ballot measure.

On May 14, 2015, the District issued and sold \$10,000,000 aggregate principal amount of its Election 2014 General Obligation Bonds 2015 Series A under and pursuant to the Authorization.

On April 27, 2016, the District issued and sold \$18,395,630 aggregate principal amount of its Election 2014 General Obligation Bond Series 2016 B under and pursuant to the Authorization.

The proceeds and uses of the bonds are accounted for in the District's Building Fund. The statements presented are for the individual 2014 Election General Obligation Bond Building Fund and are not intended to be a complete presentation of the District's financial position or results of operations.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The accompanying financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
2014 ELECTION GENERAL OBLIGATION BOND
BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Budgets and Budgetary Accounting

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

These budgets are revised by the District's Board of Trustees and District Superintendent during the year to give consideration to unanticipated income and expenditures. The final revised budget that is presented in the financial statements consists of the original Board approved documents plus all revisions through June 30, 2018.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

Accounting Estimates

The presentation 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 (expenses) during the reporting period. Actual results could differ from those estimates.

Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations 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. All outstanding encumbrances were liquidated at June 30.

Fund Balance Reserves and Designations

In the Governmental Funds Balance Sheet, fund balance amounts are reported within the fund balance categories below:

- Nonspendable – This is fund balance associated with revolving cash funds, inventories and prepaids.
- Restricted – This includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- Committed – This includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Trustees (the District's highest level of decision-making authority).
- Assigned – These funds are intended to be used by the government (District) for specific purposes but do not meet the criteria to be classified as restricted or committed.
- Unassigned – This is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications.

When fund balance resources are available for a specific purpose in multiple classifications, the District would use the most restrictive funds first.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
2014 ELECTION GENERAL OBLIGATION BOND
BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

2. BONDED DEBT

The outstanding general obligation bonded debt at June 30, 2018, with regards to the 2014 Election is the following:

Bond	Date of Bond	Year of Maturity	Rate of Interest	Amount of Original Issue	Bonds Outstanding July 1, 2017	Issued During Year	Matured During Year	Bonds Outstanding June 30, 2018
2015 Series A	11/4/2014	2040	3.00-5.00%	\$ 10,000,000	\$ 9,860,000	\$ -	\$ 50,000	\$ 9,810,000
2016 Series B	4/27/2016	2046	2.00-4.00%	18,395,630	18,395,630	-	435,000	17,960,630
				<u>\$ 28,395,630</u>	<u>\$ 28,255,630</u>	<u>\$ -</u>	<u>\$ 485,000</u>	<u>\$ 27,770,630</u>

The annual requirement to amortize the 2015 Series A general obligation bonds payable, outstanding at June 30, 2018, is as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ 65,000	\$ 399,931	\$ 464,931
2020	90,000	396,056	486,056
2021	110,000	391,056	501,056
2022	135,000	384,931	519,931
2023	165,000	377,431	542,431
2024-28	1,325,000	1,724,681	3,049,681
2029-33	2,320,000	1,383,206	3,703,206
2034-38	3,645,000	844,309	4,489,309
2039-40	1,955,000	89,375	2,044,375
Total	<u>\$ 9,810,000</u>	<u>\$ 5,990,976</u>	<u>\$ 15,800,976</u>

The annual requirement to amortize the 2016 Series B general obligation bonds payable, outstanding at June 30, 2018, is as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ -	\$ 633,150	\$ 633,150
2020	-	633,150	633,150
2021	-	633,150	633,150
2022	10,000	633,000	643,000
2023	30,000	632,400	662,400
2024-28	615,000	3,117,125	3,732,125
2029-33	1,620,000	2,901,400	4,521,400
2034-38	2,980,000	2,514,500	5,494,500
2039-43	5,330,630	4,226,170	9,556,800
2044-46	7,375,000	458,500	7,833,500
Total	<u>\$ 17,960,630</u>	<u>\$ 16,382,545</u>	<u>\$ 34,343,175</u>

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
 2014 ELECTION GENERAL OBLIGATION BOND
 BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

The total annual requirement to amortize the general obligation bonds payable, outstanding at June 30, 2018, is summarized as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 65,000	\$ 1,033,081	\$ 1,098,081
2020	90,000	1,029,206	1,119,206
2021	110,000	1,024,206	1,134,206
2022	145,000	1,017,931	1,162,931
2023	195,000	1,009,831	1,204,831
2024-28	1,940,000	4,841,806	6,781,806
2029-33	3,940,000	4,284,606	8,224,606
2034-38	6,625,000	3,358,809	9,983,809
2039-43	7,285,630	4,315,545	11,601,175
2044-46	7,375,000	458,500	7,833,500
Total	<u>\$ 27,770,630</u>	<u>\$ 22,373,521</u>	<u>\$ 50,144,151</u>

3. COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of June 30, 2018, the District had no construction commitments using proceeds from the 2014 Election Obligation Bonds, as they were fully expended at June 30, 2018.

Supplementary Information

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
2014 ELECTION GENERAL OBLIGATION BOND
BUILDING FUND
BALLOT MEASURE

EXHIBIT A

“To construct a new elementary school, provide modern classrooms and career technical/support facilities at Rosamond High, construct new libraries and science labs, replace outdated portables with modern classrooms and technology throughout the District, improve student safety, and qualify for up to \$44 million in State matching grants, shall Southern Kern Unified School District be authorized to issue \$28.4 million in bonds at legal interest rates, with annual audits, a Citizens’ Oversight Committee, and no money for administrative salaries?”

Bonds: Yes

Bonds: No

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
2014 ELECTION GENERAL OBLIGATION BOND
BUILDING FUND
BALLOT MEASURE (FULL TEXT)

EXHIBIT B

PROJECT LIST

The Board of Education of Southern Kern Unified School District is committed to protecting the quality of academic instruction in core subjects such as math, science, reading and writing. To that end, the Board must provide our students with the technology and up-to-date classrooms they need in order to help them progress, preparing for high school and college. The Board has evaluated the District's urgent and critical facility needs, including safety issues, information technology, necessary repairs and upgrades to school facilities. The Board has taken into account the goal of class size reduction and upgrades in the infrastructure at all school sites.

Specific projects include:

- Provide career technical facilities to provide increased opportunities for students
- Improve school safety and security systems
- Replace portable facilities with permanent modern classrooms to reduce increasing annual maintenance costs
- Ensure students have access to 21st century classroom technology infrastructure
- Construction of a new School
- Replacement of portable classrooms with permanent classrooms at Tropico Middle School
- Replacement of portable classrooms with permanent classrooms at Rosamond High School
- Placement of portable facilities at Westpark and Rosamond Elementary School
- Furnish and equip schools as allowed by law

The listed projects set forth above may be completed as needed. Each project includes its share of furniture, equipment, architectural, engineering, and similar planning costs, program management, staff training expenses and a customary contingency, and escalation for unforeseen design and construction costs. This Project List also includes the payment of the costs of preparation of all facility planning, facility assessment reviews, environmental studies, construction documentation, inspection and permit fees, and temporary housing of dislocated District activities caused by bond projects. The upgrading of technology infrastructure includes, but is not limited to, portable interface devices, servers, switches, routers, modules, sound projection systems, document projectors, upgrade voice-over-IP, phone systems, call manager and network security/firewall, and other miscellaneous equipment. The repair of school facilities includes the building, upgrading or replacing of: school site parking and student drop-off areas, campus accessibility, utilities, and grounds, playground equipment, hard court surfaces, shade structures for student assembly and protecting students from inclement weather during lunch, libraries,

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
2014 ELECTION GENERAL OBLIGATION BOND
BUILDING FUND
BALLOT MEASURE (FULL TEXT)

District support facilities; enhanced signage; fire sensors; replace damaged and unsafe gym bleachers; music, assembly, and performing arts spaces; acquisition of land; electrical wiring; athletic and play fields turf may be upgraded for safety and operational efficiency; solar power, energy efficiency systems, and water recycling systems; constructing new facilities and classrooms; renovate and paint interior and exterior building surfaces to extend their useful life; physical education facilities improvements; security, safety and communication systems and equipment; interior and exterior lights; window and floor coverings (including tiles and carpeting); kitchen equipment; and upgrade irrigation systems; improvements and furnishings and/or other electronic equipment and systems; gyms, stadiums and physical education facilities. The Project List also includes the refinancing of any outstanding lease obligations, or the bridge loans taken to initiate voter-approved projects. The allocation of bond proceeds may be affected by the District's receipt of State matching funds and the final costs of each project. In the absence of State matching funds, which the District will aggressively pursue to reduce the District's share of the costs of the projects, the District may not be able to complete some of the projects listed above. The budget for each project is an estimate and may be affected by factors beyond the District's control. The final cost of each project will be determined as plans are finalized, construction bids are awarded and projects are completed. Based on the final costs of each project, certain of the projects described above may be delayed or may not be completed. Demolition of existing facilities and reconstruction of facilities scheduled for repair and upgrade may occur, if the Board determines that such an approach would be more cost-effective in creating enhanced and operationally efficient campuses. Necessary site preparation/restoration and landscaping, may occur in connection with new construction, renovation or remodeling, or installation or removal of relocatable classrooms, including ingress and egress, removing, replacing, or installing irrigation, utility lines, trees and landscaping, redirecting fire access, and acquiring any necessary easements, licenses, or rights of way to the property. Bond proceeds shall be expended only for the specific purposes identified herein. Proceeds of the bonds may be used to pay or reimburse the District for the cost of District staff when performing work on or necessary and incidental to the bond-financed projects. The District shall create an account into which proceeds of the bonds shall be deposited and comply with the reporting requirements of Government Code § 53410.

FISCAL ACCOUNTABILITY: IN ACCORDANCE WITH EDUCATION CODE SECTION 15272, THE BOARD OF EDUCATION WILL APPOINT A CITIZENS' OVERSIGHT COMMITTEE AND CONDUCT ANNUAL INDEPENDENT AUDITS TO ASSURE THAT FUNDS ARE SPENT ONLY ON DISTRICT PROJECTS AND FOR NO OTHER PURPOSE. THE EXPENDITURE OF BOND MONEY ON THESE PROJECTS IS SUBJECT TO STRINGENT FINANCIAL ACCOUNTABILITY REQUIREMENTS. BY LAW, PERFORMANCE AND FINANCIAL AUDITS WILL BE PERFORMED ANNUALLY, AND ALL BOND EXPENDITURES WILL BE MONITORED BY AN INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE TO ENSURE THAT FUNDS ARE SPENT AS PROMISED AND SPECIFIED. THE CITIZENS' OVERSIGHT COMMITTEE MUST INCLUDE, AMONG OTHERS, REPRESENTATION OF A BONA FIDE TAXPAYERS ASSOCIATION, A BUSINESS ORGANIZATION AND A SENIOR CITIZENS ORGANIZATION. NO DISTRICT EMPLOYEES OR VENDORS ARE ALLOWED TO SERVE ON THE CITIZENS' OVERSIGHT COMMITTEE.

No Administrator Salaries or Pensions: Proceeds from the sale of the bonds authorized by this proposition shall be used only for the acquisition, construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, and not for any other purpose, including teacher and school administrator salaries, pensions and other operating expenses.



Jeanette L. Garcia,
CPA

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

Independent Auditors Report

To the Board of Trustees and Citizens' Oversight Committee
Southern Kern Unified School District
Rosamond, California

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 financial statements of Southern Kern Unified School District 2014 Election General Obligation Bond Building Fund, as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

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Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Jeanette L. Garcia + Associates". The signature is written in a cursive, flowing style.

San Bernardino, California
December 17, 2018



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Jeanette L. Garcia,
CPA

AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees and Citizens' Oversight Committee
Southern Kern Unified School District
Rosamond, California

We have audited the accompanying financial Statements of the 2014 Election General Obligation Bond Building Fund, of Southern Kern Unified School District (the District) as of and for the year ended June 30, 2018. Our audit was made in accordance with auditing standards generally accepted in the United States of America; and the standards for financial and compliance 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 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. Our audit does not provide a legal determination on the District's compliance with specified requirements.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following requirements:

Proceeds from the sale of the bonds are used only to construct a new elementary school, provide modern classrooms and career technical/support facilities at Rosamond High, construct new libraries and science labs, replace outdated portables with modern classrooms and technology throughout the District and improve student safety.

Proper bidding procedures have been observed/met.

The District is in compliance with budget constraints per the Citizens' Oversight Committee.

Bond monies are used only on projects which were voter approved.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2018.

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

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San Bernardino, California
December 17, 2018

SOUTHERN KERN UNIFIED SCHOOL DISTRICT
2014 ELECTION GENERAL OBLIGATION BOND
BUILDING FUND
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINDING 2017-001
Code 30000
General Obligation Bond Funds

It was noted during the audit that several expenditures charged to the 2014 bonds fund (Building Fund 21) may not be appropriate uses of the bond proceeds. We noted that \$884,838.48 in salaries and benefits were charged to the bond funds for which we were unable to obtain justification. Administrator salaries and benefits are included in the charges to the bond funds. In addition, we noted several inappropriate expenditures for supplies in the building fund that do not appear to be included in the approved project list presented to the voters. These expenditures were transferred from the General Fund. Of the eleven expenditure transfers tested, eight appear to be inappropriate totaling \$281,230.72. For example, we noted seven chromebooks and their cases that were transferred from the General Fund to the Building Fund. These expenditures may be required to be transferred back to the General Fund, putting an additional strain on the ending fund balance.

RECOMMENDATION

Expenditures charged to the bond funds must be reviewed for allowability and the citizens' oversight committee should review the expenditures closely.

Status: Implemented