

SOUTHERN KERN UNIFIED SCHOOL DISTRICT

KERN COUNTY  
ROSAMOND, CALIFORNIA

FINANCIAL AND PERFORMANCE AUDIT  
2008 GENERAL OBLIGATION BOND  
BUILDING FUND

JUNE 30, 2014

**JLG**  
Jeanette L. Garcia & Associates  
CERTIFIED PUBLIC ACCOUNTANT

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
 2008 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 2008 General Obligation Bond Building Fund, as of and for the year ended June 30, 2014, and the related statement of revenues, expenditures, and changes in fund balance for the year ended June 30, 2014, 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 2008 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 generally accepted accounting principles.

***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.

Member:  
  
American  
Institute of  
Certified Public  
Accountants

California  
Society of  
Certified Public  
Accountants

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the transactions of the 2008 General Obligation Bond Building Fund of the Southern Kern Unified School District, as of and for the year ended June 30, 2014, in accordance with accounting principles generally accepted in the United States of America.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, 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.



Redlands, California  
December 9, 2014

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
 2008 GENERAL OBLIGATION  
 BOND BUILDING FUND  
BALANCE SHEET  
 JUNE 30, 2014

ASSETS

Cash (Note 2)	
Cash in County Treasury	\$ 2,920,338
Accounts Receivable (Note 3)	<u>2,498</u>
 TOTAL ASSETS	 <u>\$ 2,922,836</u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts Payable	\$ 20,748
Due To Other Funds	<u>1,133,136</u>
 Total Liabilities	 1,153,884
 Fund Balance	
Assigned	<u>1,768,952</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 2,922,836</u>

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

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
 2008 GENERAL OBLIGATION BOND BUILDING FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>REVENUES</u>	
Other Local Revenue	\$ 15,248
<u>EXPENDITURES</u>	
Facilities Acquisition and Construction	1,258,718
Other Outgo	117,607
Total Expenditures	1,376,325
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,361,077)
<u>OTHER FINANCING SOURCES (USES)</u>	
Proceeds From Sale of Bonds	2,929,492
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	1,568,415
<u>FUND BALANCE - JULY 1, 2013</u>	200,537
<u>FUND BALANCE - JUNE 30, 2014</u>	\$ 1,768,952

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

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
2008 GENERAL OBLIGATION BOND BUILDING FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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, 2008, the District voters authorized up to \$24 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 December 18, 2008, the District issued and sold \$4,056,633.15 aggregate principal amount of its Election of 2008 General Obligation Bonds, Series 2008A under and pursuant to the Authorization.

On May 27, 2010, the District issued and sold \$6,960,719 aggregate principal amount of its General Obligation Bonds, Election of 2008, Series 2010B.

On June 28, 2012, the District issued and sold \$3,819,839.30 aggregate principal amount of its 2008 Election General Obligation Refunding Bonds 2012 Series B, leaving the amount of \$9,162,808.55 authorized but unissued thereunder.

On January 13, 2014, the District issued 2008 General Obligation Bond Series 2014A in the amount of \$3,000,000. A portion of the proceeds, in the amount of \$70,508, was deposited in the Bond Interest and Redemption Fund (at Kern County Treasury) to pay the first two bond payments.

The proceeds and uses of the bonds are accounted for in the District's Building Fund. The statements presented are for the individual 2008 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  
2008 GENERAL OBLIGATION BOND BUILDING FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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, 2014.

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

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly 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.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
2008 GENERAL OBLIGATION BOND BUILDING FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with County treasury balances for purposes of the Statement of Cash Flows.

2. CASH AND DEPOSITS

Cash at June 30, 2014, consisted of the following:

Pooled Funds:

Cash in County Treasury	<u>\$ 2,920,338</u>
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In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Kern County Treasury as part of the investment pool (\$2,189,896,000 as of June 30, 2014). The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at cost which approximates market value. The District is considered to be an involuntary participant in the external investment pool. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The fair market value of this pool as of June 30, 2014, as provided by the pool sponsor, was \$2,181,036,000. The County is required by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

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 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 in the County Treasury and in Money Market Mutual Fund U.S. Treasury Fund obligations. The District maintains an investment with the Kern County Investment Pool with a fair value of approximately \$2,908,523 and an amortized book value of \$2,920,338. The average weighted maturity for this pool is 535 days.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
2008 GENERAL OBLIGATION BOND BUILDING FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2014, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District does not have a formal investment policy that limits its investment choices other than the limitations of State law.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not place limits on the amount it may invest in any one issuer. At June 30, 2014, the District had no concentration of credit risk.

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits.

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). All cash held by the financial institutions is fully insured or collateralized.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014, consist of the following:

Accounts Receivable  
Local Sources:  
Interest

\$ 2,498

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
2008 GENERAL OBLIGATION BOND BUILDING FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

4. BONDED DEBT

The outstanding general obligation bonded debt of the District at June 30, 2014, is the following:

Bond	Date of Bond	Year of Maturity	Rate of Interest	Amount of Original Issue	Bonds Outstanding July 1, 2013	Issued During Year	Matured During Year	Bonds Outstanding June 30, 2014
Series 2008A	12/18/2008	2034	3.00-6.80%	4,056,633	4,046,633	-	15,000	4,031,633
Series 2010B	5/27/2010	2050	2.00-6.95%	6,960,719	6,930,719	-	20,000	6,910,719
2012 Series B	6/28/2012	2032	1.52-4.50%	3,819,839	3,819,839	-	-	3,819,839
Series 2014A	1/13/2014	2023	3.15%	3,000,000	-	3,000,000	-	3,000,000
Total				<u>\$ 17,837,191</u>	<u>\$ 14,797,191</u>	<u>\$ 3,000,000</u>	<u>\$ 35,000</u>	<u>\$ 17,762,191</u>

The annual requirement to amortize the Series 2008A general obligation bonds payable, outstanding at June 30, 2014, is as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 40,000	\$ 146,275	\$ 186,275
2016	65,000	144,356	209,356
2017	90,000	141,169	231,169
2018	125,000	136,466	261,466
2019	155,000	130,341	285,341
2020-24	1,195,000	500,137	1,695,137
2025-29	1,454,671	827,978	2,282,649
2030-34	906,962	5,338,591	6,245,553
Total	<u>\$ 4,031,633</u>	<u>\$ 7,365,313</u>	<u>\$ 11,396,946</u>

The annual requirement to amortize the Series 2010B general obligation bonds payable, outstanding at June 30, 2014, is as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 25,000	\$ 105,775	\$ 130,775
2016	35,000	104,875	139,875
2017	40,000	103,550	143,550
2018	50,000	101,750	151,750
2019	60,000	99,550	159,550
2020-24	445,000	447,925	892,925
2025-29	815,000	294,375	1,109,375
2030-34	735,000	57,625	792,625
2035-39	1,305,552	297,180	1,602,732
2040-44	1,631,361	11,545,143	13,176,504
2045-49	1,389,776	14,997,563	16,387,339
2050	379,030	5,291,481	5,670,511
Total	<u>\$ 6,910,719</u>	<u>\$ 33,446,792</u>	<u>\$ 40,357,511</u>

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
2008 GENERAL OBLIGATION BOND BUILDING FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

The annual requirement to amortize the 2012 Series B general obligation bonds payable, outstanding at June 30, 2014, is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 193,032	\$ 118,999	\$ 312,031
2016	169,706	122,325	292,031
2017	165,312	126,719	292,031
2018	154,550	132,482	287,032
2019	143,861	138,170	282,031
2020-24	771,387	773,769	1,545,156
2025-29	1,265,821	486,004	1,751,825
2030-32	956,170	149,505	1,105,675
Total	<u>\$ 3,819,839</u>	<u>\$ 2,047,973</u>	<u>\$ 5,867,812</u>

The annual requirement to amortize the Series 2014A general obligation bonds payable, outstanding at June 30, 2014, is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 70,000	\$ 47,892	\$ 117,892
2016	195,000	92,432	287,432
2017	260,000	85,328	345,328
2018	290,000	76,787	366,787
2019	325,000	67,289	392,289
2020-24	1,860,000	157,406	2,017,406
Total	<u>\$ 3,000,000</u>	<u>\$ 527,134</u>	<u>\$ 3,527,134</u>

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
 2008 GENERAL OBLIGATION BOND BUILDING FUND  
NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2014

The annual requirement to amortize all general obligation bonds payable, outstanding at June 30, 2014, is summarized as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 328,032	\$ 418,941	\$ 746,973
2016	464,706	463,988	928,694
2017	555,312	456,766	1,012,078
2018	619,550	447,485	1,067,035
2019	683,861	435,350	1,119,211
2020-24	4,271,387	1,879,237	6,150,624
2025-29	3,535,492	1,608,357	5,143,849
2030-34	2,598,132	5,545,721	8,143,853
2035-39	1,305,552	297,180	1,602,732
2040-44	1,631,361	11,545,143	13,176,504
2045-49	1,389,776	14,997,563	16,387,339
2050	379,030	5,291,481	5,670,511
Total	<u>\$ 17,762,191</u>	<u>\$ 43,387,212</u>	<u>\$ 61,149,403</u>

5. COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of June 30, 2014, the District had no construction commitments.

## Supplementary Information

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
2008 GENERAL OBLIGATION BOND BUILDING FUND  
PROJECT LIST

**Exhibit A**

**BALLOT MEASURE  
(FULL TEXT)**

This measure may be known and referred to as the Southern Kern Unified School District School Construction and Improvement Measure H.

**FINDINGS**

The Southern Kern Unified School District (the "District") was organized in 1962 to educate the children of Rosamond. Southern Kern Unified School District schools educate approximately 3,600 students in grades K-12, a number projected to grow by over 2,300 students in the next five years. Currently, there are over 3,200 approved subdivision lots awaiting construction within the District's boundaries. Many of the District's schools are close to their maximum capacity and many students attend classes in portable facilities. We now need to invest in our local schools so we can keep up with growth in our area.

The bond will qualify the District for \$58 million in State Aid to fund new classrooms, libraries, computer labs and other improvements so that every child in our schools will have access to a quality education.

Rosamond High and Hamilton Elementary have shared the same plot of land since 1965. The high school's enrollment growth requires expansion and resulted in the temporary closure of Hamilton Elementary School. This measure would allow for the expansion of the high school and the construction of a new Hamilton Elementary School. Over half the students in Rosamond attend classes in portables. This bond measure will provide permanent classrooms and expanded facilities to reduce overcrowding. Tropic Middle School is overcrowded. Now is the time to expand it to provide enough space and facilities for students.

In 2002, voters in Southern Kern Unified School District passed Measure "H" to improve local schools. The District kept its promises with the previous bond measure approved by voters, completing Westpark Elementary School, purchasing back district property, maintaining class-size reduction, improving the cafeteria at Rosamond High School and improving technology throughout the district.

This measure requires an independent citizens' oversight committee, and guaranteed annual audits to ensure the money is spent as promised, and no money will be spent on administrator's salaries.

The District continues to seek all available outside sources of funding to improve our school buildings, including local, state, and federal grants. However, these sources are not sufficient to meet our facilities needs and require local funding to secure State eligibility. It is necessary to seek voter approval of a bond measure in order to provide the local funding for the identified school facilities.

**BOND AUTHORIZATION**

By approval of this measure by at least fifty-five percent (55%) of the registered voters voting on this measure, the District shall be authorized to issue and sell bonds in an amount of up to \$24,000,000 in principal, with interest at or below the legal limit. The bond proceeds shall be used to provide financing only for specific school facilities projects listed in the Bond Project List attached hereto as Attachment A-1, subject to the accountability requirements specified below.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
2008 GENERAL OBLIGATION BOND BUILDING FUND  
PROJECT LIST

**TAX RATES**

The Board hereby states its intention to structure each bond sale of this authorization so that the combined tax rate for general obligation bonds of the District issued under the 2002 election and this authorization will not exceed \$60.00 per \$100,000 of assessed valuation.

**BOND PROJECT LIST**

The Bond Project List attached to this resolution as Attachment A-1 shall be considered a part of the ballot proposition and shall be reproduced in any official document required to contain the full statement of the bond proposition.

Approval of this Bond Measure (the "Measure") does not guarantee that the proposed projects will be funded beyond the local revenues generated by the Measure. The District's capital needs exceed the amount of bonds the voters are being asked to authorize. The District will seek funds from other sources to advance the project list as far as possible. If matching funds from the State or any other source become available, they will be used for and applied to the Bond Project List.

**ACCOUNTABILITY REQUIREMENTS**

The provisions in this section are specifically included in this Measure in order that the voters and taxpayers in the District may be assured that their money will be spent wisely to address specific facilities needs of the District, all in compliance with the requirements of Article XIII A, Section 1(b)(3), of the State Constitution and the Strict Accountability in Local School Construction Bonds Act of 2000 (codified at Education Code Sections 15264 and following), which was adopted following the passage of Proposition 39.

**Evaluation of Needs.** The Governing Board has prepared an updated facilities plan in order to identify all current and anticipated facilities needs of the District and determine which projects to finance from a local bond and other sources at this time.

The Governing Board hereby certifies that it has evaluated safety, class size reduction, enrollment growth, and information technology needs in developing the Bond Project List contained in Attachment A-1.

**Independent Citizens' Oversight Committee.** The Governing Board shall establish an Independent Citizens' Bond Oversight Committee pursuant to the provisions of the Education Code, commencing with section 15278, to ensure bond proceeds are expended only on the school facilities and on the projects listed in Attachment A-1. The Independent Citizens' Bond Oversight Committee shall be established within 60 days of the date when the results of the election appear in the minutes of the Governing Board. The District shall, without expending bond funds, provide the Independent Citizens' Bond Oversight Committee with any necessary technical and administrative support in furtherance of its purpose, and sufficient resources to publicize the conclusions of the committee.

**Performance Audits.** The Governing Board shall conduct an annual, independent performance audit to ensure that the bond proceeds have been expended only on the school facilities projects listed in Attachment A-1.

**Financial Audits.** The Governing Board shall conduct an annual, independent financial audit of the bond proceeds until all of those proceeds have been spent for the school facilities projects listed in Attachment A-1.

**Special Bond Proceeds Account: Annual Report to Governing Board.** Upon approval of this Measure and a subsequent sale of authorized bonds, the Governing Board shall take actions necessary to establish an account in which proceeds of the sale of bonds will be deposited. As long as any proceeds of the bonds remain unexpended, the Superintendent shall cause a report to be filed with the Governing Board annually, stating (1) the amount of bond

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
2008 GENERAL OBLIGATION BOND BUILDING FUND  
PROJECT LIST

proceeds received and expended in that year, and (2) the status of any project funded or to be funded from bond proceeds. The report may relate to the calendar year, fiscal year, or other appropriate annual period as the Superintendent shall determine and may be incorporated in the annual budget, audit, or another appropriate routine report to the Governing Board.

**FURTHER SPECIFICATIONS**

**No Administrator Salaries.** Proceeds from the sale of bonds authorized by this proposition shall be used only for the construction, reconstruction and/or rehabilitation of school facilities including the furnishing and equipping of school facilities or acquisition or lease of real property for school facilities and construction management by district personnel and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

The proceeds of the bonds will be deposited into a fund to be held by the Kern County Treasurer, as required by the California Education Code.

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
2008 GENERAL OBLIGATION BOND BUILDING FUND  
PROJECT LIST

**ATTACHMENT A-1**

**BOND PROJECT LIST**

The District intends to undertake the following projects using a combination of funding sources. It is anticipated that bond proceeds will contribute \$24,000,000 to said total cost. As required by the California Constitution, the proceeds from the sale of bonds will be used only to acquire or improve real property, and for furnishing and equipping school facilities and not for any other purposes, including teacher and administrator salaries or other school operating expenses. This Bond Project List assumes that additional funding, which could include State funds, or other funds of the District and/or other sources, will be available to the District. To the extent funds are available, the District intends to acquire, construct, modernize, and improve District schools, including but not limited to the improvements described below.

**SCHOOL PROJECTS**

Rosamond High School:

- Replace portable classrooms with permanent classrooms
- Build additional new permanent classrooms
- Provide gymnasium facilities for joint school and community use
- Provide a cafeteria/multipurpose building for joint school and community use

Tropico Middle School:

- Replace portable buildings with permanent classrooms
- Build additional new permanent classrooms
- Build a library and computer lab to improve student access to information and technology
- Provide gymnasium facilities for joint school and community use
- Land Acquisition

Hamilton Elementary School:

- Build a new Hamilton Elementary School for existing students and enrollment growth

District-wide Additional Projects:

- Improve energy systems and student access to computers and technology
- Construct and improve student support facilities
- Purchase land required to build new facilities
- Purchase leased facilities
- Furnish and equip school facilities
- Perform necessary site preparation/restoration in connection with new construction, renovation or deferred maintenance of school facilities
- Address unforeseen conditions revealed by construction or emergency repairs (e.g., plumbing or gas line breaks, seismic, structural, asbestos and other hazardous materials)

SOUTHERN KERN UNIFIED SCHOOL DISTRICT  
2008 GENERAL OBLIGATION BOND BUILDING FUND  
BOND MEASURE

**EXHIBIT B**

“To provide excellent schools for all local students, shall the Southern Kern Unified School District be authorized to acquire, construct and improve school facilities, including classrooms to reduce student overcrowding, replacing portables with permanent classrooms, adding libraries, science and computer labs, improving school safety and becoming eligible for additional state funding by issuing \$24,000,000 in bonds at legal interest rates, with annual audits, and independent citizens' oversight committee, and no money for administrative salaries?”

Bonds - Yes

Bonds - No



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 2008 General Obligation Bond Building Fund, as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2014.

**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.

Member:

American  
Institute of  
Certified Public  
Accountants

California  
Society of  
Certified Public  
Accountants

### **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.



Redlands, California  
December 9, 2014



AUDITOR'S REPORT ON STATE COMPLIANCE

Jeanette L. Garcia,  
CPA

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

We have audited the accompanying financial Statements of the 2008 General Obligation Bond, Building Fund, of the Southern Kern Unified School District (the District) as of and for the year ended June 30, 2014. 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 finance and refinance the construction, acquisition, furnishing and equipping of District property and facilities, as authorized at the November 4, 2008 Election.

Proper bidding procedures have been observed/met.

The District is in compliance with budget constraints per the 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, 2014.

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.

Redlands, California  
December 9, 2014

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