

**BAKERSFIELD CITY SCHOOL DISTRICT  
COUNTY OF KERN  
BAKERSFIELD, CALIFORNIA**

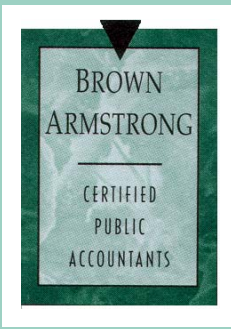
**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE G  
FINANCIAL AUDIT**

**FISCAL YEAR ENDED JUNE 30, 2007**

**BAKERSFIELD CITY SCHOOL DISTRICT  
PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE G  
JUNE 30, 2007**

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**INDEPENDENT AUDITOR'S REPORT**

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Steven R. Starbuck, CPA  
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Chris M. Thornburgh, CPA  
Eric H. Xin, MBA, CPA

Board of Trustees  
Citizens' Oversight Committee  
Bakersfield City School District  
Bakersfield, California

Lynn R. Krausse, CPA, MST  
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We have audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balance and Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the Proposition 39 General Obligation Bonds Measure G of the Bakersfield City School District as of and for the year ended June 30, 2007. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit of the Proposition 39 General Obligation Bonds Measure G 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements for Proposition 39 General Obligation Bonds Measure G are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Proposition 39 General Obligation Bonds Measure G 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the Proposition 39 General Obligation Bonds Measure G of the Bakersfield City School District as of June 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2007 on our consideration of the Bakersfield City School District's internal control over financial reporting and our tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of this audit.

BROWN ARMSTRONG PAULDEN  
McCOWN STARBUCK THORNBURGH & KEETER  
ACCOUNTANCY CORPORATION

Bakersfield, California  
October 18, 2007

**BAKERSFIELD CITY SCHOOL DISTRICT  
BALANCE SHEET  
PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE G  
JUNE 30, 2007**

<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 33,963,040
Accounts Receivable	<u>475,226</u>
 TOTAL ASSETS	 <u><u>\$ 34,438,266</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	<u>\$ 114,674</u>
 FUND BALANCE	
Designated	<u>34,323,592</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 34,438,266</u></u>

See the accompanying notes to the financial statements.

**BAKERSFIELD CITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE G  
FOR THE YEAR ENDED JUNE 30, 2007**

REVENUES	
Interest Income	<u>\$ 646,327</u>
EXPENDITURES	
Current:	
Materials and Supplies	6,328
Services and Other Operating Expenditures	63,732
Capital Outlay	<u>252,675</u>
TOTAL EXPENDITURES	<u>322,735</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>323,592</u>
OTHER FINANCING SOURCES (USES)	
Other Sources	<u>34,000,000</u>
Net Change in Fund Balance	34,323,592
Fund Balance at Beginning of Year	<u>-</u>
Fund Balance at End of Year	<u><u>\$ 34,323,592</u></u>

See the accompanying notes to the financial statements.

**BAKERSFIELD CITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE G  
FOR THE YEAR ENDED JUNE 30, 2007**

	Budget	Actual	Variance with Final Budget
REVENUES			
Interest Income	\$ 646,327	\$ 646,327	\$ -
TOTAL REVENUES	646,327	646,327	-
EXPENDITURES			
Current:			
Materials and Supplies	6,328	6,328	-
Services and Other Operating Expenditures	63,733	63,732	1
Capital Outlay	252,675	252,675	-
TOTAL EXPENDITURES	322,736	322,735	1
Excess (Deficiency) of Revenues Over Expenditures	323,591	323,592	1
OTHER FINANCING SOURCES (USES)			
Other Sources	34,000,000	34,000,000	-
Net Change in Fund Balance	34,323,591	34,323,592	1
Fund Balance at Beginning of Year	-	-	-
Fund Balance at End of Year	<u>\$ 34,323,591</u>	<u>\$ 34,323,592</u>	<u>\$ 1</u>

See the accompanying notes to the financial statements.

**BAKERSFIELD CITY SCHOOL DISTRICT  
PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE G  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Accounting Policies

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

B. Fund Structure

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

C. Basis of Accounting

The Proposition 39 General Obligation Bonds Measure G Fund of the Bakersfield City School District is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

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

D. Budget

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

E. Capital Assets and Long-Term Debt

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Proposition 39 General Obligation Bonds Measure G are determined by its measurement focus. The Fund is accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the Proposition 39 General Obligation Bonds Measure G are accounted for in the basic financial statements of the Bakersfield City School District.

**NOTE 2 – BONDED DEBT**

On November 7, 2006, the voters authorized the issuance and sale of general obligation bonds totaling \$100,000,000. On February 22, 2007, \$34,000,000 of general obligation bonds were sold under Proposition 39/Measure G 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 4.00% to 5.25%. The final maturity is November 1, 2031.

The outstanding related bonded debt for the Bakersfield City School District at June 30, 2007 is:

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2006	Additions Current Year	Redeemed Current Year	Outstanding June 30, 2007
2007	4.00-5.25	2032	\$ 34,000,000	\$ -	\$34,000,000	\$ -	\$ 34,000,000

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2007 are as follows:

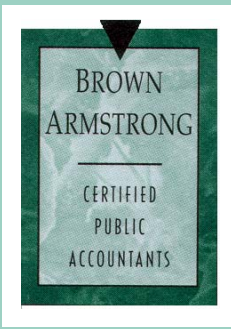
Year Ended June 30,	Principal	Interest	Total
General Obligation Bonds:			
2008	\$ -	\$ 1,358,948	\$ 1,358,948
2009	540,000	1,595,837	2,135,837
2010	710,000	1,570,838	2,280,838
2011	840,000	1,539,837	2,379,837
2012	440,000	1,514,238	1,954,238
2013-2017	4,085,000	7,134,287	11,219,287
2018-2022	5,705,000	6,103,225	11,808,225
2023-2027	8,340,000	4,530,356	12,870,356
2028-2032	13,340,000	1,732,500	15,072,500
Total	\$ 34,000,000	\$ 27,080,066	\$ 61,080,066

The bonds were issued at a premium of \$1,875,005 with issuance costs of \$752,162. The proceeds of the bond premium less issuance costs and the repayment of the debt related to the Proposition 39 General Obligation Bonds Measure G are accounted for in the District's Bond Interest and Redemption Fund which is part of the Bakersfield City School District's basic financial statements.



**BAKERSFIELD CITY SCHOOL DISTRICT  
PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE G  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2007**

There were no findings and questioned costs related to the financial audit of the 2006 Election General Obligation Bonds, 2007 Series A for the fiscal year ended June 30, 2007.



**BROWN ARMSTRONG PAULDEN**  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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Board of Trustees  
Citizens' Oversight Committee  
Bakersfield City School District  
Bakersfield, California

We have audited the financial statements of the Bakersfield City School District as of and for the year ended June 30, 2007 and have issued our report thereon dated October 18, 2007. We have also audited the Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance, and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Proposition 39 General Obligation Bonds Measure G of the Bakersfield City School District as of and for the year ended June 30, 2007. 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 considered the Bakersfield City School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of the Bakersfield City School District's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bakersfield City School District's and its Proposition 39 General Obligation Bonds Measure G financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This communication is intended solely for the information and use of the board of trustees, citizens' oversight committee and management of the Bakersfield City School District. It is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG PAULDEN  
McCOWN STARBUCK THORNBURGH & KEETER  
ACCOUNTANCY CORPORATION



Bakersfield, California  
October 18, 2007