

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

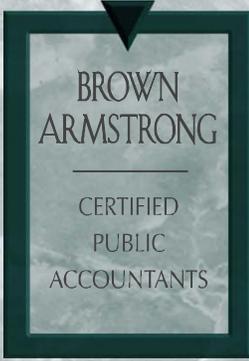
**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE G  
FINANCIAL AUDIT**

**FISCAL YEAR ENDED JUNE 30, 2011**

**BAKERSFIELD CITY SCHOOL DISTRICT  
PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE G  
JUNE 30, 2011**

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# BROWN ARMSTRONG

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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

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We have audited the accompanying financial statements of the Proposition 39 General Obligation Bonds Measure G of the Bakersfield City School District (the District) as of and for the year ended June 30, 2011. 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. 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.

As discussed in Note 1, the financial statements present only the Proposition 39 General Obligation Bonds Measure G and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2011, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Also, as discussed in Note 1 to the financial statements the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

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, 2011, in conformity with accounting principles generally accepted in the United States of America.



REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2011, on our consideration of the 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 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* and should be considered in assessing the results of our audit.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to read "J. A. Brown", is positioned below the company name.

Bakersfield, California  
December 20, 2011

**BAKERSFIELD CITY SCHOOL DISTRICT  
BALANCE SHEET  
PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE G  
JUNE 30, 2011**

ASSETS

Cash and Cash Equivalents	\$ 2,931,272
Accounts Receivable	6,632
Due from Other Funds	<u>3,623</u>

TOTAL ASSETS \$ 2,941,527

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	<u>\$ 254,624</u>
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TOTAL LIABILITIES 254,624

FUND BALANCE

Restricted	<u>2,686,903</u>
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TOTAL LIABILITIES AND  
FUND BALANCE \$ 2,941,527

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, 2011**

REVENUES	
Interest Income	\$ 71,582
All Other Local Revenue	<u>1,200</u>
TOTAL REVENUES	<u>72,782</u>
EXPENDITURES	
Current:	
Materials and Supplies	505,518
Services and Other Operating Expenditures	100,718
Capital Outlay	<u>9,060,957</u>
TOTAL EXPENDITURES	<u>9,667,193</u>
Net Change in Fund Balance	(9,594,411)
Fund Balance at Beginning of Year	<u>12,281,314</u>
Fund Balance at End of Year	<u><u>\$ 2,686,903</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, 2011**

	Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Interest Income	\$ 71,581	\$ 71,582	\$ 1
All Other Local Revenue	1,200	1,200	-
<b>TOTAL REVENUES</b>	<u>72,781</u>	<u>72,782</u>	<u>1</u>
<b>EXPENDITURES</b>			
Current:			
Materials and Supplies	505,519	505,518	(1)
Services and Other Operating Expenditures	100,719	100,718	(1)
Capital Outlay	9,060,958	9,060,957	(1)
<b>TOTAL EXPENDITURES</b>	<u>9,667,196</u>	<u>9,667,193</u>	<u>(3)</u>
Net Change in Fund Balance	(9,594,415)	(9,594,411)	4
Fund Balance at Beginning of Year	<u>12,281,314</u>	<u>12,281,314</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 2,686,899</u>	<u>\$ 2,686,903</u>	<u>\$ 4</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, 2011**

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

A. 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).

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 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 of the Bakersfield City School District (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 of Kern Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

D. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Education) and that remain binding unless removed in the same manner. Committed fund balance does not lapse at year-end. The formal action must occur prior to the end of the reporting period. However, the amount which will be subject to the constraint may be determined in the subsequent period. The formal action required to commit fund balance shall be Board resolution.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. Fund Balance (Continued)

- *Assigned fund balance* – amounts that are constrained by the District's *intent* to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. The Board of Education delegated authority to assign fund balance for a specific purpose to the Chief Business Official of the District.
- *Unassigned fund balance* – the residual classification for the District's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, followed by the unrestricted committed, assigned and unassigned resources as they are needed.

Minimum Fund Balance Policy:

The District maintains a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

E. 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 of Trustees and all amendments throughout the year.

F. 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 Proposition 39 General Obligation Bonds Measure G funds are 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 District.

G. Current Accounting Pronouncements

*Governmental Accounting Standards Board Statement No. 54*

For the fiscal year ended June 30, 2011, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The requirements of this statement are effective for financial statement periods beginning after June 15, 2010.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied, and it clarifies the existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in the Fund Equity section of this footnote.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

G. Current Accounting Pronouncements (Continued)

*Governmental Accounting Standards Board Statement No. 54* (Continued)

GASB Statement No. 54 also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. The definitions of the General Fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are also clarified by the provisions in this statement.

*Governmental Accounting Standards Board Statement No. 62*

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements - Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The statement is effective for periods beginning after December 15, 2011. However, as the statement codifies what is in current practice, there is no net effect on the District's accounting or financial reporting upon the statement's implementation.

**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 District at June 30, 2011, is:

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2010	Additions Current Year	Redeemed Current Year	Outstanding June 30, 2011
2007	4.00-5.25	2032	\$ 34,000,000	\$ 32,750,000	\$ -	\$ 840,000	\$ 31,910,000

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2011, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
General Obligation Bonds:			
2012	\$ 440,000	\$ 1,514,238	\$ 1,954,238
2013	660,000	1,492,237	2,152,237
2014	815,000	1,462,738	2,277,738
2015	985,000	1,426,737	2,411,737
2016	725,000	1,392,538	2,117,538
2017-2021	5,515,000	6,347,937	11,862,937
2022-2026	7,130,000	4,921,181	12,051,181
2027-2031	12,705,000	2,383,625	15,088,625
2032	2,935,000	73,375	3,008,375
<b>Total</b>	<b>\$ 31,910,000</b>	<b>\$ 21,014,606</b>	<b>\$ 52,924,606</b>

**NOTE 2 – BONDED DEBT** (Continued)

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 District's basic financial statements.

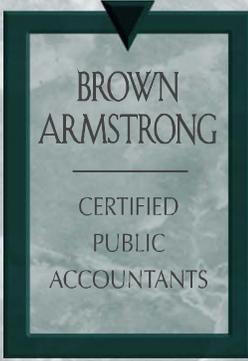
**BAKERSFIELD CITY SCHOOL DISTRICT  
PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE G  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2011**

Current Year Findings

There were no findings and questioned costs related to the financial audit of the Proposition 39 General Obligation Bonds Measure G for the fiscal year ended June 30, 2011.

Prior Year Findings

None.



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 THE BASIC FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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Citizens’ Oversight Committee  
Bakersfield City School District  
Bakersfield, California

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We have 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, 2011, which collectively comprise the Proposition 39 General Obligation Bonds Measure G of the Bakersfield City School District’s basic financial statements and have issued our report thereon dated December 20, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Proposition 39 General Obligation Bonds Measure G of the Bakersfield City School District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Proposition 39 General Obligation Bonds Measure G of the Bakersfield City School District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Proposition 39 General Obligation Bonds Measure G of the Bakersfield City School District’s internal control over financial reporting.

*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.

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



REGISTERED with the Public Company  
Accounting Oversight Board and  
MEMBER of the American Institute of  
Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Proposition 39 General Obligation Bonds Measure G of the Bakersfield City School District's 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  
ACCOUNTANCY CORPORATION



Bakersfield, California  
December 20, 2011