LAKESIDE UNION SCHOOL DISTRICT

BAKERSFIELD, CALIFORNIA

PROPOSITION 39
2008 ELECTION – 2009 SERIES A
GENERAL OBLIGATION BONDS

JUNE 30, 2011

AUDIT REPORT
AND
PERFORMANCE AUDIT REPORT

PREPARED BY

LINGER, PETERSON, SHRUM & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INTRODUCTORY SECTION

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION 39
2008 ELECTION – 2009 SERIES A
GENERAL OBLIGATION BONDS
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LAKESIDE UNION SCHOOL DISTRICT
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FINANCIAL SECTION

Linger, Peterson, Shrum & Co.
Certified Public Accountants
Licensed by the California Board of Accountancy

Gary A. Shrum
Kendra L. Keiscome
Marilyn K. Adams

Robert L. Linger (Retired)
Jim L. Peterson (Retired)

INDEPENDENT AUDITORS' REPORT
(FINANCIAL STATEMENT)

Board of Trustees
Lakeside Union School District
Bakersfield, California:

We have audited the accompanying Balance Sheet of the Building Fund of Lakeside Union School District (the "District") as it pertains to Proposition 39, 2008 Election - 2009 Series A General Obligation Bonds as of June 30, 2011, and the related Statement of Revenues, Expenditures and Changes in Fund Balance--Building Fund for the year ended June 30, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards set forth 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 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 opinions.

As discussed in Note 1A, the financial statements present only the individual Building Fund as it pertains to Proposition 39, 2008 Election - 2009 Series A General Obligation Bonds, and are not intended to present fairly the financial position of the District in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lakeside Union School District Building Fund as it pertains to Proposition 39, 2008 Election - 2009 Series A General Obligation Bonds as of June 30, 2011, and the results of its operations for the period then ended 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 29, 2013 on our consideration of the internal control over financial reporting of the Lakeside

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Union School District Building Fund as it pertains to Proposition 39, 2008 Election - 2009 Series A General Obligation Bonds, and 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.

Linger, Peterson, Shrum & Co.

October 29, 2013

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION 39
2008 ELECTION - 2009 SERIES A
GENERAL OBLIGATION BONDS
BALANCE SHEET--BUILDING FUND
JUNE 30, 2011

Assets	
Cash in County Treasury	$ 952,322
Liabilities	
Accounts Payable	23,866
Fund Balance	$ 928,456

See Notes to the Financial Statements.

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION 39
2008 ELECTION - 2009 SERIES A
GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE--BUILDING FUND
FOR THE YEAR ENDED JUNE 30, 2011

Revenues		
Interest		$ 15,454
Expenditures		
Professional services	$ 179,311	
Buildings and improvements	85,508	
Total Expenditures		264,819
Deficiency of Revenues over Expenditures		(249,365)
Fund Balance, July 1, 2010		1,177,821
Fund Balance, June 30, 2011		$ 928,456

See Notes to the Financial Statements.

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION 39
2008 ELECTION – 2009 SERIES A
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

1. SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

On November 4, 2008, the Lakeside Union School District (the "District") voters authorized issuance of General Obligation Bonds, in an aggregate principal amount not to exceed $22,500,000, to be used for the construction, acquisition, furnishing and equipping of District facilities.

The Bond proceeds and uses are accounted for in the District's Building Fund. The statements presented are for the Building Fund as it pertains to Proposition 39, 2008 Election - 2009 Series A General Obligation Bonds, and are not intended to be a complete presentation of the District's financial position or results of operations.

B. Accounting Policies

The Lakeside Union School 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 (GASB) and the American Institute of Certified Public Accountants (AICPA).

C. Basis of Accounting

Basis of accounting refers to the timing of when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The Lakeside Union School District accounts for Bond proceeds and expenditures using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; 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 in the District's Bond Interest and Redemption Fund.

D. 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 encumbrances are liquidated as of June 30, 2011.

E. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Cash in County Treasury	$952,322

A. Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury as part of a common investment pool ($952,322 as of June 30, 2011). The fair market value of this investment pool as of that date, as provided by the pool sponsor, was $952,322. The District is considered to be an involuntary participant in the external investment pool. Interest is deposited into participating funds. The county is restricted 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.

B. Investments

1. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Percentage in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	None	None
Medium-Term Notes	5 years	None	None
Mutual Funds	N/A	None	None
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	5 years	None	None
County Pooled Investment Funds	N/A	100%	100%
Local Agency Investment Fund (LAIF)	N/A	None	None

2. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The schedule below identifies the investment types that are authorized for investments held by bond trustees. The schedule also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Percentage in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

3. Disclosures Relating to 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.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity.

		Remaining Maturity (in Months)			
Investment Type	Amount	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
County Investment Pool	$ 952,322	$ 952,322	$ -	$ -	$ -

4. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, and the actual rating as of year end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB No. 40 does not require disclosure as to credit risk:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End AAA	AA	Not Rated
County Investment Pool	$ 952,322	N/A	$ -	$ -	$ -	$ 952,322

3. COMMITMENTS AND CONTINGENCIES

A. General Obligation Bonds

A general election was held on November 4, 2008, at which more than 55% of the persons voting on the Proposition voted to authorize the issuance of $22,500,000 of General Obligation Bonds of the District to finance real property and improvements to be used in the public education operations of the District. Bonds in the amount of $3,637,362 were issued on May 14, 2009, leaving a remaining commitment of $18,862,638.

B. Arbitrage

As part of tax laws surrounding Tax-Exempt Bonds, investment earnings, with certain adjustments, on unexpended Bond proceeds are limited to the interest rate paid on the Bond debt. Arbitrage (i.e. excess investment earnings) is required to be rebated to the federal government every five years for as long as the Bonds are outstanding. At June 30, 2011, no arbitrage liability was deemed necessary.

4. CITIZENS' BOND OVERSIGHT COMMITTEE

The Citizens' Bond Oversight Committee (the "Committee") was established to satisfy the accountability requirements of Proposition 39. The Committee shall confine itself specifically to Bond proceeds generated under the ballot measure. To carry out its stated purposes, the Committee shall: a) Inform the public regarding Bond issues; (b Review expenditures to ensure that Bond proceeds are expended only for the purposes set forth in the ballot measure, and that no Bond proceeds are used for any teacher or administrative salaries or other operating expenses of the District; c) Present to the Board, in public session, an annual written report. The report shall indicate whether the District is in compliance with the applicable requirements, and shall include a summary of the Committee's proceedings and activities for the preceding year.

OTHER INDEPENDENT AUDITORS' REPORT

Linger, Peterson, Shrum & Co.
Certified Public Accountants
Licensed by the California Board of Accountancy

Gary A. Shrum
Kendra L. Keiscome
Marilyn K. Adams

Robert L. Linger (Retired)
Jim L. Peterson (Retired)

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Lakeside Union School District
Bakersfield, California:

We have audited the accompanying Balance Sheet of the Building Fund of Lakeside Union School District (the "District") as it pertains to Proposition 39, 2008 Election - 2009 Series A General Obligation Bonds as of June 30, 2011, and the related Statement of Revenues, Expenditures and Changes in Fund Balance--Building Fund for the year ended June 30, 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 the internal control over financial reporting of the Lakeside Union School District Building Fund as it pertains to Proposition 39, 2008 Election - 2009 Series A General Obligation Bonds 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 the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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

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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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Lakeside Union School District Building Fund as it pertains to Proposition 39, 2008 Election - 2009 Series A General Obligation Bonds 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 report is intended solely for the information and use of the Lakeside Union School District's Governing Board, Administration and taxpayers, and the Citizens' Bond Oversight Committee, and is not intended to be, and should not be, used by anyone other than these specified parties.

Linger, Peterson, Shrum & Co.

October 29, 2013

PERFORMANCE AUDIT

Linger, Peterson, Shrum & Co.
Certified Public Accountants
Licensed by the California Board of Accountancy

Gary A. Shrum
Kendra L. Keiscome
Marilyn K. Adams

Robert L. Linger (Retired)
Jim L. Peterson (Retired)

INDEPENDENT AUDITORS' REPORT
(PERFORMANCE)

Board of Trustees and
Citizens' Bond Oversight Committee
Lakeside Union School District
Bakersfield, California:

We have conducted a performance audit of the Building Fund of the Lakeside Union School District (the "District") as it pertains to Proposition 39, 2008 Election - 2009 Series A General Obligation Bonds, for the year ended June 30, 2011.

We conducted our performance audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives.

Our audit was limited to the objectives listed on Page 14 of this report which includes determining the District's compliance with the performance requirements for the 2008 Election - 2009 Series A General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIIIA of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of the District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIIIA of the California Constitution. Accordingly, we do not express any assurance on internal control.

The results of our tests indicated that, in all significant respects, the District expended 2008 Election - 2009 Series A General Obligation Bond funds for the year ended June 30, 2011 only for the specific projects developed by the District's Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIIIA of the California Constitution.

Linger, Peterson, Shrum & Co.

October 29, 2013

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LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION 39
2008 ELECTION – 2009 SERIES A
GENERAL OBLIGATION BONDS
FOR THE YEAR ENDED JUNE 30, 2011

EXECUTIVE SUMMARY

On November 4, 2008, the District voters authorized $22,500,000 in General Obligation Bonds to be used to finance the construction, acquisition, furnishing and equipping of District facilities, and to pay certain costs of issuance associated therewith.

BACKGROUND INFORMATION

The 2008 Election - 2009 Series A Bonds, in the principal amount of $3,637,362, are General Obligation Bonds to be issued under provisions of Title 1, Division 1, Part 10, Chapter 1 of the State of California Education Code, commencing with Section 15100, and pursuant to a resolution adopted by the Board of Trustees of the District on May 10, 2009. For this issuance of $3,637,362 in General Obligation Bonds, $3,427,362 are Bank Qualified Capital Appreciation Bonds, and the remaining $210,000 are Current Interest Bonds.

The Bonds are the first series of an authorization of $22,500,000 approved by District voters on November 4, 2008 (Measure I). After the issuance of Proposition 39, 2008 Election - 2009 Series A General Obligation Bonds, the District will have $18,862,638 in authorized but unissued Bonds under the 2008 authorization.

The District received authorization for the issuance and sale of not more than $22,500,000 of General Obligation Bonds at an election held on November 4, 2008, by an affirmative vote of 76.86% of the votes cast. A 55% vote in favor was required. The Proposition 39, 2008 Election - 2009 Series A General Obligation Bonds represent the first series to be issued under the 2008 authorization.

Net proceeds of Proposition 39, 2008 Election - 2009 Series A General Obligation Bonds are authorized to be used for the acquisition, construction, furnishing and equipping of District facilities, and to pay certain costs of issuance associated therewith. Net proceeds of Proposition 39, 2008 Election - 2009 Series A General Obligation Bonds are authorized to be used to prepare for future growth and provide facilities that best serve the students and community, as specified in the projects list.

CITIZENS' BOND OVERSIGHT COMMITTEE

The Citizens' Bond Oversight Committee was established to satisfy the accountability requirements of Proposition 39. The Committee shall confine itself specifically to Bond proceeds generated under the ballot measure. The Committee consists of a minimum of seven (7) members appointed by the Board of Trustees from a list of candidates submitting written applications. The members can serve for a term of two (2) years without compensation, and for no more than two (2) consecutive terms. The members were chosen based on criteria established by Proposition 39. The Committee is required to meet at least once a year. The stated general purposes of the Committee are to: 1) Inform the public; 2) Review expenditures; 3) Present to the Board an annual written report.

OBJECTIVES

The objectives of our Performance Audit were to:

Determine the expenditures charged to the District's Building Fund as it pertains to Proposition 39, 2008 Election - 2009 Series A General Obligation Bonds.

Determine whether expenditures charged to the Building Fund, as it pertains to Proposition 39, 2008 Election - 2009 Series A General Obligation Bonds, have been made in accordance with the Bond project list approved by the voters through approval of Measure I in November, 2008.

Note any incongruities, system weakness, or non-compliance with specific Education Code Sections related to Bond oversight, and provide recommendations for improvement.

Provide the District Board and the Citizens' Bond Oversight Committee with a performance audit as required under the requirements of the California Constitution and Proposition 39.

SCOPE OF THE AUDIT

The scope of this performance audit covered the fiscal period from July 1, 2010 through June 30, 2011. The sample of expenditures tested included all object and project codes associated with the Bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources, other than the proceeds of the Bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2011 were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the period July 1, 2010 through June 30, 2011 for the Building Fund – Measure I (2008). Within the period audited, we obtained actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure I (2008) with regards to the approved Bond projects list. We performed the following procedures:

Reviewed the projects listed to be funded with General Obligation Bond proceeds as set out in the Measure I (2008) election documents.

Selected a sample of expenditures for the period July 1, 2010 through June 30, 2011, and reviewed supporting documentation to ensure that such funds were properly expended on the authorized Bond projects. Our sample included transactions totaling $187,948, which represented 70.97% of total expenditures of $264,819.

We verified that funds from the Building Fund – Measure I (2008) were used for the acquisition, construction, furnishing and equipping of District facilities constituting the authorized Bond projects. In addition, we verified that funds held in the Building Fund – Measure I (2008) were not used for salaries unless those salaries were only for work that would not exist but for the existence of the construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

Note any incongruities, system weakness, or non-compliance with specific Education Code Sections related to Bond oversight, and provide recommendations for improvement.

Provide the District Board and the Citizens' Bond Oversight Committee with a performance audit as required under the requirements of the California Constitution and Proposition 39.

CONCLUSION

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures of the funds held in the Building Fund – Measure I (2008) and that such expenditures were made for authorized Bond projects. Further, it was noted that none of the funds held in the Building Fund – Measure I (2008) were used for salaries.

* * *

FINDINGS AND RECOMMENDATIONS SECTION

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION 39
2008 ELECTION – 2009 SERIES A
GENERAL OBLIGATION BONDS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	No
Noncompliance material to financial statements noted?	No

Performance Audit

Type of Auditors' Report issued on compliance for major programs:	Unmodified
Any audit findings disclosed?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

There were no Financial Statement findings or responses.

SECTION III - PERFORMANCE FINDINGS AND RESPONSES

There were no Performance findings or responses.

* * *

LAKESIDE UNION SCHOOL DISTRICT
PROPOSITION 39
2008 ELECTION – 2009 SERIES A
GENERAL OBLIGATION BONDS
SUMMARY SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

There were no prior year findings or responses.

*   *   *