

ELK HILLS SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
2004 ELECTION - 2005 A & B AND 2008 C SERIES BOND MEASURE
FINANCIAL AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2011

ELK HILLS SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
2004 ELECTION - 2005 A & B AND 2008 C SERIES BOND MEASURE
FINANCIAL AUDIT REPORT
JUNE 30, 2011

CONTENTS

	PAGE
Independent Auditors' Report	1
Balance Sheet	2
Statement of Revenue, Expenditures, and Changes in Fund Balance	3
Statement of Revenue, Expenditures, and Changes in Fund Balance Budget and Actual	4
Notes to the Basic Financial Statements	5
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	11
Schedule of Findings and Recommendations	12
Schedule of Prior Year Findings and Recommendations	13

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The Board of Trustees
Bond Oversight Committee
Elk Hills School District
Tupman, California

Independent Auditors' Report

We have audited the accompanying balance sheet of the 2004 Election - 2005 A & B and 2008 C Series General Obligation Bond Building Fund (the "Fund") of Elk Hills School District (the "District") as of June 30, 2011, and the related statements of revenues, expenditures and changes in fund balance and of revenue expenditures, and changes in fund balance budget to actual as of and for the fiscal year ended June 30, 2011. These financial statements are the responsibility of the District's management. 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 and performance 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.

As discussed in Note 1, the financial statements present only the individual 2004 Election - 2005 A & B and 2008 C Series General Obligation Bond Building Fund and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the 2004 Election - 2005 A & B and 2008 C Series General Obligation Bond Building Fund of Elk Hills School District, as of June 30, 2011, and the results of its operations for the year 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 January 27, 2012 on our consideration of 2004 Election - 2005 A & B and 2008 C Series General Obligation Bond Building Fund of the Elk Hills School District's internal control over financial reporting 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.

Roberts and James

ROBERTS AND JAMES
CERTIFIED PUBLIC ACCOUNTANTS

January 27, 2012

ELK HILLS UNION SCHOOL DISTRICT
 PROPOSITION 39 GENERAL OBLIGATION BOND BUILDING FUND
 2004 ELECTION - 2005 A & B AND 2008 C SERIES BOND MEASURE
 BALANCE SHEET
 FOR THE YEAR ENDING JUNE 30, 2011

ASSETS	
Cash in County Treasury	\$ 1,409,952
Accounts receivable	<u>2,734</u>
ASSETS	<u>\$ 1,412,686</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	<u>\$ 135,634</u>
Fund Balances	
Restricted for construction	<u>\$ 1,277,052</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,412,686</u>

The notes to the financial statements are an integral part of these statements.

ELK HILLS UNION SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BOND BUILDING FUND
2004 ELECTION - 2005 A & B AND 2008 C SERIES BOND MEASURE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDING JUNE 30, 2011

REVENUES	
Interest earnings	\$ 12,956
Other local revenue	<u>160</u>
Total Revenues	<u>13,116</u>
EXPENDITURES	
Supplies - noncapitalized equipment	145,976
Services and other operating expenditures	307,411
Capital outlay	<u>244,486</u>
Total Expenditures	<u>697,873</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(684,757)
OTHER FINANCING SOURCES (USES)	
Total Other Financing Sources (Uses)	<u>-</u>
Net Change in Fund Balance	(684,757)
Fund Balance June 30, 2010	<u>1,961,809</u>
Fund Balance June 30, 2011	<u>\$ 1,277,052</u>

The notes to the financial statements are an integral part of these statements.

ELK HILLS UNION SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BOND BUILDING FUND
2004 ELECTION - 2005 A & B AND 2008 C SERIES BOND MEASURE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDING JUNE 30, 2011

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Interest earnings	\$ 13,600	\$ 12,956	\$ (644)
	<u>-</u>	<u>160</u>	<u>160</u>
Total Revenues	<u>13,600</u>	<u>13,116</u>	<u>(484)</u>
EXPENDITURES			
Supplies - noncapitalized equipment	145,998	145,976	22
Services and other operating expenditures	307,741	307,411	330
Capital outlay	<u>249,886</u>	<u>244,486</u>	<u>5,400</u>
Total Expenditures	<u>703,625</u>	<u>697,873</u>	<u>5,752</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(690,025)	(684,757)	5,268
OTHER FINANCING SOURCES (USES)			
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(690,025)	(684,757)	5,268
Fund Balance June 30, 2010	<u>1,961,809</u>	<u>1,961,809</u>	<u>-</u>
Fund Balance June 30, 2011	<u><u>\$ 1,271,784</u></u>	<u><u>\$ 1,277,052</u></u>	<u><u>\$ 5,268</u></u>

The notes to the financial statements are an integral part of these statements.

ELK HILLS SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
2004 ELECTION - 2005 A & B AND 2008 C SERIES BOND MEASURE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

In the Election of 2004, the District voters authorized \$7,900,000 in General Obligation Bonds for the purpose of funding projects including upgrades of the gymnasium, auditorium, library/computer lab, playing surfaces, playground equipment, fencing and landscaping, the repair of classroom interiors, roofs and heating, ventilation and air conditioning systems and improvements to other systems and facilities to ensure student health and safety and to pay costs of Bond issuance. In response, an advisory committee to the District's Governing Board and Superintendent, the 2005 Bond Oversight Committee, should have been established. The Committee's oversight goals include: advising on bond construction priorities, reviewing school bond construction plans, verifying that project plans are in alignment with the budget, and ensuring compliance with conditions of the 2004 Election - 2005 A & B and 2008 C Series Bond Measure.

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

Accounting Policies

The Elk Hills School District accounts for financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

Basis of Accounting

The financial statements of the Building Fund 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 when the related liability is incurred. The exception to this general rule is that principle and interest on general obligation long-term debt, if any, is recognized when due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve a portion 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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 revenue and expenditures during the reporting period. Actual results could differ from those estimates

NOTE 2 – CASH

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; security of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligation with first priority security; and collateralized mortgage obligations.

Cash in County Treasury – The District is considered an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

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. The Fund maintains an investment with the Kern County Investment Pool with a fair value of approximately \$1,409,952 and a book value of \$1,409,952.

Credit Risk

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. The investment with the Kern County Investment Pool is rated AAA/MR1 by Moody's Investor Service.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2011 in the amount of \$2,734 represent the amount due from the Kern County Treasurer for interest earnings for the quarter ended June 30, 2011.

NOTE 4 – 2004 ELECTION - 2005 A & B AND 2008 C SERIES GENERAL OBLIGATION BONDS

The bonds were authorized at an election of the registered voters in 2004 at which more than 55 percent of the voters authorized the issuance and sale of \$7,900,000 general obligation bonds. The bonds are general obligations of the District. The County is obligated to levy ad valorem taxes upon all property within the district for the payment of interest and principal of the bonds.

The District's General Obligation Bonds of \$2,499,985 with interest of 5.19% from the election of 2004 – Series 2005B.

Year End June 30,	Principal	Interest	Total
2012	\$ 82,440	\$ 128,030	\$ 210,470
2013	76,362	134,108	210,470
2014	70,734	139,736	210,470
2015	65,519	144,951	210,470
2016	60,690	149,780	210,470
2017	56,216	154,254	210,470
2018	52,071	158,399	210,470
2019	48,232	162,238	210,470
2020	44,677	165,793	210,470
2021	41,384	169,086	210,470
2022	38,333	172,137	210,470
2023	35,508	174,962	210,470
2024	150,000	60,470	210,470
2025	155,000	51,920	206,920
2026	165,000	42,775	207,775
2027	175,000	33,040	208,040
2028	185,000	22,715	207,715
2029	200,000	11,800	211,800
Totals	<u>\$ 1,702,166</u>	<u>\$ 2,076,194</u>	<u>\$ 3,778,360</u>

The District's General Obligation Bonds from the election of 2004, Series 2005 A for \$439,996 Capital Appreciation Bonds with interest from 3.72% to 5% and \$1,660,000 current interest bonds with interest at 5%.

Year End June 30,	Principal	Interest	Total
2012	\$ 41,997	\$ 126,003	\$ 168,000
2013	37,579	130,421	168,000
2014	33,627	134,373	168,000
2015	30,090	137,910	168,000
2016	85,000	83,000	168,000
2017	90,000	78,750	168,750
2018	95,000	74,250	169,250
2019	90,000	69,500	159,500
2020	90,000	65,000	155,000
2021	95,000	60,500	155,500
2022	100,000	55,750	155,750
2023	105,000	50,750	155,750
2024	110,000	45,500	155,500
2025	125,000	40,000	165,000
2026	125,000	33,750	158,750
2027	135,000	27,500	162,500
2028	140,000	20,750	160,750
2029	135,000	13,750	148,750
2030	140,000	7,000	147,000
Totals	<u>\$ 1,803,293</u>	<u>\$ 1,254,457</u>	<u>\$ 3,057,750</u>

Debt Service requirements on \$3,305,012 General Obligation Bonds, Election of 2004, Series 2011 C, with interest rates from 3.85% to 5.70%.

Year End June 30,	Principal	Interest	Total
2012	\$ 52,089	\$ 178,731	\$ 230,820
2013	49,982	185,818	235,800
2014	47,792	193,008	240,800
2015	45,540	200,260	245,800
2016	43,259	207,541	250,800
2017	40,980	214,820	255,800
2018	38,723	222,077	260,800
2019	39,826	235,974	275,800
2020	38,827	246,973	285,800
2021	36,267	254,513	290,780
2022	35,074	265,726	300,800
2023	32,652	273,148	305,800
2024	160,000	151,320	311,320
2025	170,000	142,080	312,080
2026	190,000	132,000	322,000
2027	205,000	120,940	325,940
2028	225,000	108,900	333,900
2029	255,000	95,333	350,333
2030	270,000	80,370	350,370
2031	620,000	55,005	675,005
2032	655,000	18,668	673,668
Totals	<u>\$3,251,011</u>	<u>\$3,583,205</u>	<u>\$6,834,216</u>

NOTE 5 – SUBSEQUENT EVENTS

No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through January 27, 2012 that would require adjustment to or disclosure in these financial statements.

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Board of Trustees and the
Citizen's Bond Oversight Committee
Elk Hills School District
Tupman, California

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

We have audited the financial statements of the 2004 Election - 2005 A & B and 2008 C Series General Obligation Bond Building Fund of the Elk Hills School District (the "District") as of June 30, 2011, and have issued our report thereon dated January 27, 2012. 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 Bond Building Fund of Elk Hills 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 the Building Fund of Elk Hills School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Building Fund of the Elk Hills School District's internal control over financial reporting. 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 Building Fund of the Elk Hills School District'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 Building Fund of Elk Hills School District's financial statements that is more than inconsequential will not be prevented by the Building Fund of Elk Hills School District'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 Building Fund of Elk Hills School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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 over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Building Fund of Elk Hills School District's financial statements are free of material misstatements, 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 management, others within the organization, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Roberts and James

ROBERTS AND JAMES
CERTIFIED PUBLIC ACCOUNTANTS

January 27, 2012

ELK HILLS SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
2004 ELECTION – 2005 A & B AND 2008 C SERIES BOND MEASURE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2011

There were no financial findings for the year ending June 30, 2011.

ELK HILLS SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
2004 ELECTION – 2005 A & B AND 2008 C SERIES BOND MEASURE
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
JUNE 30, 2011

There were no financial findings for the year ending June 30, 2010.

ELK HILLS SCHOOL DISTRICT

PROPOSITION 39 GENERAL OBLIGATION BONDS
2004 ELECTION - 2005 A & B AND 2008 C SERIES BOND MEASURE
PERFORMANCE AUDIT

FISCAL YEAR ENDED JUNE 30, 2011

ELK HILLS SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
2004 ELECTION - 2005 A & B AND 2008 C SERIES BOND MEASURE
PERFORMANCE AUDIT
JUNE 30, 2011

CONTENTS

	PAGE
Independent Auditors' Report	1
Objectives	2
Scope of the Audit	2
Background Information	3
Procedures Performed	4
Conclusion	5
Schedule of Findings and Recommendations	6

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The Board of Trustees
Bond Oversight Committee
Elk Hills School District
Tupman, California

Independent Auditors' Report

We have examined the Elk Hills School District's compliance with the performance requirements for the Proposition 39 General Obligation Bonds 2005 A & B and 2008 C Series Bond Measure for the fiscal year ended June 30, 2011, under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof. Management is responsible for the Elk Hills School District's compliance with those requirements. Our responsibility is to express opinions on the Elk Hills School District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Elk Hills School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Elk Hills School District's compliance with specific requirements.

In our opinion, except for the items described in the accompanying schedule of findings and recommendations, the Elk Hills School District complied, in all material respects, with the aforementioned requirements for the fiscal year ended June 30, 2011.

Roberts and James

ROBERTS AND JAMES
CERTIFIED PUBLIC ACCOUNTANTS

January 27, 2012

ELK HILLS SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
2004 ELECTION - 2005 A & B AND 2008 C SERIES BOND MEASURE
PERFORMANCE AUDIT
JUNE 30, 2011

OBJECTIVES

The objectives of our performance audit were to:

- Determine the expenditures charged to the Elk Hills School District Bond Building Fund;
- Determine whether expenditures charged to the Bond Building Fund have been made in accordance with the bond project list approved by the voters through the approval of the 2004 Election - 2005 A & B and 2008 C Series Bond Measure;
- Note any incongruities or system weaknesses and provide recommendation for improvement;
- The District and the Citizen's Oversight Committee fulfilled their responsibilities under Proposition 39;
- Provide the District Board and the Citizen's Oversight Committee with a performance audit as specified under the requirements of the California Constitution and Proposition 39.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2010 to June 30, 2011. The 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.

ELK HILLS SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
2004 ELECTION - 2005 A & B and 2008 C SERIES BOND MEASURE
PERFORMANCE AUDIT
JUNE 30, 2011

BACKGROUND INFORMATION

In November 2000, the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school districts and community colleges under certain circumstances and subject to certain conditions. In 2004, a general obligation bond proposition of the Elk Hills School District was approved by the voters of the District. The Bond Measure authorized the District to issue up to \$7,900,000 of general obligation bonds to finance various capital projects and related costs, as specified in the bond measure provisions.

Pursuant to the requirements of Proposition 39 and related state legislation, the Board of Education of the District should establish a Citizen's Bond Oversight Committee and appoint its initial members. The principle purpose of the Citizen's Bond Oversight Committee, as set out in state law, is to inform the public as to the expenditures made using the proceeds of the bond issued pursuant to the bond authorization. The Citizen's Bond Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Bond Building fund have been expended only for authorized bond projects.

ELK HILLS SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
2004 ELECTION - 2005 A & B AND 2008 C SERIES BOND MEASURE
PERFORMANCE AUDIT
JUNE 30, 2011

PROCEDURES PERFORMED

We obtained the general ledger prepared by the District for the period July 1, 2010 to June 30, 2011 for the Bond Building Fund. Within the period audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and the 2004 Election 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 2004 Election documents;
- Selected a sample of expenditures for the period July 1, 2010 to June 30, 2011 and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects;
- Verified that funds from the Bond Building Fund were generally expended for the purpose of funding projects including upgrades of the gymnasium, auditorium, library/computer lab, playing surfaces, playground equipment, fencing and landscaping, the repair of classroom interiors, roofs and heating, ventilation and air conditioning systems and improvements to other systems and facilities to ensure student health and safety and to pay costs of Bond issuance. Furthermore, we verified that funds expended from the Bond Building Fund were not used for salaries of school administrators or other operating expenses of the District.
- Reviewed compliance with requirements for membership and meeting procedures.

ELK HILLS SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
2004 ELECTION - 2005 A & B AND 2008 C SERIES BOND MEASURE
PERFORMANCE AUDIT
JUNE 30, 2011

CONCLUSION

Based upon our procedures performed, we found that for the items tested, the Elk Hills School District has properly accounted for the expenditures of the funds held in the Bond Building Fund – 2004 Election - 2005 A & B and 2008 C Series Bond Measure and that such expenditures were made for authorized bond projects. Furthermore, it was noted that the funds held in the Bond Building Fund – 2004 Election - 2005 A & B and 2008 C Series Bond Measure, and expended by the District, were not expended for salaries of school administrators or other operating expenditures.

ELK HILLS SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
2004 ELECTION - 2005 A & B AND 2008 C SERIES BOND MEASURE
PERFORMANCE AUDIT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2011

There were no findings for the 2010 – 2011 year.

ELK HILLS SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
2004 ELECTION - 2005 A & B AND 2008 C SERIES BOND MEASURE
PERFORMANCE AUDIT
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
JUNE 30, 2011

FINDING 2010 – 01 – CITIZEN’S BOND OVERSIGHT COMMITTEE

Criteria or Specific Requirement

A Citizen’s Bond Oversight Committee is to be established within 60 days after the date the School District’s Board enters the results of the bond election into the Board minutes. The Committee consists of at least seven members and meet at least annually. The Committee will review expenditures for proper use of taxpayers’ money and to ensure the District is in compliance with the requirements of Article XIIA, Section 1(b)(3)(C) of the California Constitution. The Committee will issue an Annual Report to the public. The School District Board must adopt policies, guidelines, and procedures for the Committee and must provide the Committee with necessary assistance to hold meetings and update the Committee Internet Website.

Condition

There was no information on the committee for the year ending June 30, 2010. It cannot be determine if a Committee was formed, who served, if a meeting was held, if an Annual Report was filed, or if the School District provided guidelines and assistance to the Committee.

Effect

The School District and the Committee are not in compliance with Proposition 39 requirements.

Cause

From 2005 to 2010 there have been four superintendents and four bookkeepers for the Elk Hills School District. The School had extensive modernization construction during this period.

Questioned Costs

None

Recommendation

A Citizen’s Oversight Committee must be formed of at least seven members, must meet at least annually, and must issue an annual report. Documentation must be maintained on policies, meetings, committee membership, and the annual report.

District’s Response

During the 2010-2011 school year, the Superintendent and Board have implemented the following items to fully comply with meeting and reporting requirements. The District has reformed a Bond Oversight Committee that meets the Proposition 39 membership requirements. The Bond Oversight Committee will meet at least annually to conduct all Bond oversight business per Proposition 39. The Bond Oversight Committee will provide an annual report to the District Board of Trustees. All Audits and Bond Oversight Committee meeting information will be posted on the District’s website. The Elk Hills School District Bond Oversight Committee plans to meet at least two-times per year.

Status - Implemented

ELK HILLS SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
2004 ELECTION - 2005 A & B AND 2008 C SERIES BOND MEASURE
PERFORMANCE AUDIT
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
JUNE 30, 2011

FINDING 2010 – 02 – INDEPENDENT PERFORMANCE AND FINANCIAL AUDITS

Criteria or Specific Requirement

There must be annual independent performance and financial audits.

Condition

The 2010 audits were not conducted until 2011.

Effect

The School District and the Committee are not in compliance with Proposition 39 requirements.

Cause

From 2005 to 2010 there have been four superintendents and four bookkeepers for the Elk Hills School District. The School had extensive modernization construction during this period.

Questioned Costs

None

Recommendation

Annual performance and financial audits must be conducted until all Proposition 39 Bond funds are spent.

District's Response

During the 2010-2011 school years, the Superintendent and Board have implemented the following items to fully comply with meeting and reporting requirements. Both a Financial and Performance Audit for all years from 2005 – 2011 have been ordered and received. The annual independent Financial and Performance audits were issued on April 22, 2011 by the firm of Roberts and James, Certified Public Accountants. Future annual independent Financial and Performance Audits will be conducted by a Certified Public Accounting Firm and approved by the Bond Oversight Committee.

Status - Implemented