

ROSEMEAD SCHOOL DISTRICT

**PROPOSITION 39 FUNDING
PERFORMANCE AUDIT – MEASURE O**

For the Fiscal Year Ended
June 30, 2011

ROSEMEAD SCHOOL DISTRICT
PROPOSITION 39 FUNDING
PERFORMANCE AUDIT – MEASURE O
For the Fiscal Year Ended June 30, 2011

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MOSS, LEVY & HARTZHEIM LLP

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Citizens' Oversight Committee
Rosemead School District
Rosemead, California

We have examined the Rosemead School District (District)'s compliance with the performance requirements for the Proposition 39/Measure O 2008 General Obligation Bonds for the fiscal year ended June 30, 2011. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the 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 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 the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended June 30, 2011.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 5, 2011

ROSEMEAD SCHOOL DISTRICT
PROPOSITION 39 FUNDING
PERFORMANCE AUDIT – MEASURE O
For the Fiscal Year Ended June 30, 2011

OBJECTIVES

The objectives of our Performance Audit were:

- 1) Document the expenditures charged to the voter approved 2008 General Obligation Bonds.
- 2) Determine whether all expenditures for the fiscal year ended June 30, 2011, charged to the Building Fund Measure O have been made in accordance with project budgets and guidelines.
- 3) Note any incongruities or system weaknesses and provide recommendations for improvement.

SCOPE OF THE AUDIT

The scope of our Performance Audit covered the period from July 1, 2010 through 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 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.

BACKGROUND INFORMATION

On November 4, 2008, \$30,000,000 in general obligation bonds were authorized by an election held within the Rosemead School District. On December 10, 2009, \$9,000,000 of the general obligation bonds were sold under Proposition 39/Measure O 2008, which provides that proceeds of the bonds will be used to refinance certificates of participations, finance new construction, additions to, and modernization of school facilities for the District. On April 27, 2011, the District pursuant to a resolution adopted by its Board of Education issued the 2011 General Obligation Bond Anticipation Notes (the "Notes") of \$5,303,817 with stated interest rate of 4%. The proceeds from the issuance of the Notes will be used to finance the acquisition and construction of educational facilities and projects. The Notes were issued as capital appreciation notes with 4.670% accretion rate and the accreted value of the Notes are payable upon the surrender of the Notes at maturity.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure summary reports and detail prepared by the District for the fiscal year ended June 30, 2011 for the Building Fund - Measure O. We reviewed the School Plan Bond Project publicized list of intended projects. Within the fiscal year audited, the District did not incur any cost in the Proposition 39/Measure O 2008 funding.

RESULTS OF PROCEDURES

The District did not incur any cost during the fiscal year ended June 30, 2011.

CONCLUSION

Based upon the procedures performed, the Rosemead School District has properly accounted for the Proposition 39/Measure O 2008 General Obligation Bond funds. Furthermore, it was noted that the funds were not used for salaries of school administrators or other operating expenditures.

ROSEMEAD SCHOOL DISTRICT

**PROPOSITION 39 FUNDING
FINANCIAL AUDIT – MEASURE O**

June 30, 2012

ROSEMEAD UNIFIED SCHOOL DISTRICT
PROPOSITION 39 FUNDING
FINANCIAL AUDIT
June 30, 2012

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MOSS, LEVY & HARTZHEIM LLP

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The Board of Trustees
The Citizens' Oversight Committee
Rosemead School District
Rosemead, California

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Rosemead School District (District), as of and for the fiscal year ended June 30, 2012, and we have issued our report thereon dated December 11, 2012. We have also 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 Bond Building Fund – Measure O of the District as of and for the fiscal year ended June 30, 2012. 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 of the Bond Building Fund – Measure O 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 the Bond Building Fund – Measure O are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Bond Building Fund – Measure O 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 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 and the budgetary comparison for the Bond Building Fund – Measure O of the District as of and for fiscal year ended June 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2012 on our consideration of the District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, 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 not to provide an opinion on the internal control over financial reporting or compliance. 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 assessing the results of our audit.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 11, 2012

ROSEMEAD SCHOOL DISTRICT
BALANCE SHEET
BOND BUILDING FUND – MEASURE O
June 30, 2012

Assets

Cash in County Treasury	\$ 13,355,672
Cash with fiscal agent	22,331
Accounts receivable	<u>25,828</u>
Total current assets	<u><u>\$ 13,403,831</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts payable	<u>\$ 2,076</u>
Total liabilities	<u>2,076</u>

Fund Balance:

Restricted for building projects	<u>13,401,755</u>
Total fund balance	<u>13,401,755</u>
Total liabilities and fund balance	<u><u>\$ 13,403,831</u></u>

ROSEMEAD SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BOND BUILDING FUND – MEASURE O**

For the Fiscal Year Ended June 30, 2012

Revenues:

Interest	\$ 125,916
Total revenues	<u>125,916</u>

Expenditures:

Material and supplies	147,463
Contracted services and other operating expenditures	17,642
Capital outlay	<u>8,110</u>

Total expenditures	<u>173,215</u>
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Excess (deficiency) of revenue over (under) expenditures	(47,299)
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Fund balance, beginning of fiscal year	<u>13,449,054</u>
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Fund balance, end of fiscal year	<u><u>\$ 13,401,755</u></u>
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ROSEMEAD SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL****BOND BUILDING FUND – MEASURE O**

For the Fiscal Year Ended June 30, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest	\$ 60,000	\$ 125,916	\$ 65,916
Total revenues	60,000	125,916	65,916
Expenditures:			
Material and supplies	166,400	147,463	18,937
Contracted services and other operating expenditures	50,000	17,642	32,358
Capital outlay	10,200	8,110	2,090
Total expenditures	226,600	173,215	53,385
Net change in fund balance	(166,600)	(47,299)	119,301
Fund balance, beginning of fiscal year	13,449,054	13,449,054	
Fund balance, end of fiscal year	<u>\$ 13,282,454</u>	<u>\$ 13,401,755</u>	<u>\$ 119,301</u>

ROSEMEAD SCHOOL DISTRICT
BOND BUILDING FUND – MEASURE O
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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).

Fund Structure

The Statement of Revenues, Expenditures, and Changes in Fund Balance is a statement of financial activities of the Bond Building Fund – Measure O related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, and transfers to other funds. Consequently, these statements do not purport to present the results of operations of the net income or loss for the period as would a statement of income for a profit-type organization.

Basis of Accounting

The Bond Building Fund – Measure O of the Rosemead 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 Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

Budget

The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual includes a column entitled “Final Budget”. The amounts in this column represent the most recent updated budget information provided by the District.

Capital Assets and Long-Term Debt

The accounting and reporting treatment applied to the capital assets and long-term debt liabilities associated with the Bond Building Fund – Measure O are determined by its measurement focus. The Bond Building Fund – Measure O 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 Bond Building Fund – Measure O are accounted for in the basic financial statements of the District.

ROSEMEAD SCHOOL DISTRICT
BOND BUILDING FUND – MEASURE O
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 – BONDED DEBT

2008 Measure O GO Bond

On November 4, 2008, \$30,000,000 in general obligation bonds were authorized by an election held within the District. On December 10, 2009, \$9,000,000 of the general obligation bonds were sold under Proposition 39/Measure O 2008, which provides that proceeds of the bonds will be used to finance new construction and additions to and modernization of school facilities for the District.

2011 General Obligation Bond Anticipation Notes

On April 27, 2011, the District pursuant to a resolution adopted by its Board of Education issued the 2011 General Obligation Bond Anticipation Notes (the “Notes”) of \$5,303,817 with stated interest rate of 4%. The proceeds from the issuance of the Notes will be used to finance the acquisition and construction of educational facilities and projects. The Notes were issued as capital appreciation notes with 4.670% accretion rate and the accreted value of the Notes are payable upon the surrender of the Notes at maturity.

The outstanding related bonded debt for the District Measure O at June 30, 2012, is:

Date Of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2011	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2012
12/10/2009	5.0%-6.0%	2040	\$ 9,000,000	\$ 8,865,000	\$ -	\$ (140,000)	\$ 8,725,000
5/11/2011	4.0%	2016	5,303,817	5,303,817			5,303,817

The annual requirements to amortize the bonds payable outstanding as of June 30, 2012, are as follows:

2008 Measure O GO Bond

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 150,000	\$ 440,975	\$ 590,975
2014	155,000	431,825	586,825
2015	165,000	422,225	587,225
2016	175,000	412,025	587,025
2017	180,000	401,375	581,375
2018-2022	1,065,000	1,846,613	2,911,613
2023-2027	1,345,000	1,546,875	2,891,875
2028-2032	1,710,000	1,167,000	2,877,000
2033-2037	2,185,000	682,625	2,867,625
2038-2040	1,595,000	122,375	1,717,375
Total	<u>\$ 8,725,000</u>	<u>\$ 7,473,913</u>	<u>\$ 16,198,913</u>

ROSEMEAD SCHOOL DISTRICT
BOND BUILDING FUND – MEASURE O
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 – BONDED DEBT (Continued)

The annual requirements to amortize the bonds payable outstanding as of June 30, 2012, are as follows (Continued):

2011 General Obligation Bond Anticipation Notes

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ -	\$ -	\$ -
2014			
2015			
2016	5,303,817	1,191,183	6,495,000
Total	<u>\$ 5,303,817</u>	<u>\$ 1,191,183</u>	<u>\$ 6,495,000</u>



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

The Board of Trustees
The Citizens' Oversight Committee
Rosemead School District
Rosemead, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rosemead School District (District) as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 11, 2012. We have also 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 Bond Building Fund – Measure O of the District as of and for the fiscal year ended June 30, 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 report is intended solely for the information and use of the Board, the Citizens' Oversight Committee, and management. It is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
December 11, 2012

ROSEMEAD SCHOOL DISTRICT
BOND BUILDING FUND – MEASURE O
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2012

There were no findings or questioned costs related to the financial audit of the Bond Building Fund – Measure O for the fiscal year ended June 30, 2012.

ROSEMEAD SCHOOL DISTRICT

**PROPOSITION 39 FUNDING
PERFORMANCE AUDIT – MEASURE O**

For the Fiscal Year Ended
June 30, 2012

ROSEMEAD SCHOOL DISTRICT
PROPOSITION 39 FUNDING
PERFORMANCE AUDIT – MEASURE O
For the Fiscal Year Ended June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Citizens' Oversight Committee
Rosemead School District
Rosemead, California

We have examined the Rosemead School District (District)'s compliance with the performance requirements for the Proposition 39/Measure O 2008 General Obligation Bonds for the fiscal year ended June 30, 2012. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on 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 (AICPA) and, accordingly, included examining, on a test basis, evidence about the 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 the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended June 30, 2012.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 11, 2012

ROSEMEAD SCHOOL DISTRICT
PROPOSITION 39 FUNDING
PERFORMANCE AUDIT – MEASURE O
For the Fiscal Year Ended June 30, 2012

OBJECTIVES

The objectives of our Performance Audit were:

- 1) Document the expenditures charged to the voter approved 2008 General Obligation Bonds.
- 2) Determine whether all expenditures for the fiscal year ended June 30, 2012, charged to the Building Fund Measure O have been made in accordance with project budgets and guidelines.
- 3) Note any incongruities or system weaknesses and provide recommendations for improvement.

SCOPE OF THE AUDIT

The scope of our Performance Audit covered the period from July 1, 2011 through June 30, 2012. 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 were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2012, were not reviewed or included within the scope of our audit.

BACKGROUND INFORMATION

On November 4, 2008, \$30,000,000 in general obligation bonds were authorized by an election held within the Rosemead School District. On December 10, 2009, \$9,000,000 of the general obligation bonds were sold under Proposition 39/Measure O 2008, which provides that proceeds of the bonds will be used to refinance certificates of participations, finance new construction, additions to, and modernization of school facilities for the District. On April 27, 2011, the District pursuant to a resolution adopted by its Board of Education issued the 2011 General Obligation Bond Anticipation Notes (the “Notes”) of \$5,303,817 with stated interest rate of 4%. The proceeds from the issuance of the Notes will be used to finance the acquisition and construction of educational facilities and projects. The Notes were issued as capital appreciation notes with 4.670% accretion rate and the accreted value of the Notes are payable upon the surrender of the Notes at maturity.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure summary reports and detail prepared by the District for the fiscal year ended June 30, 2012 for the Building Fund - Measure O. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for selected expenditures to ensure compliance with Proposition 39/Measure O 2008 funding. We performed the following procedures:

- We reviewed the School Plan Bond Project publicized list of intended projects.
- We selected expenditures in the fiscal year ending June 30, 2012, and reviewed supporting documentation to ensure that funds were properly expended on the specific projects outlined on the publicized list and met the requirements for bidding, if applicable.
- We compared total project expenditures to budgets, to determine if there was any expenditure in excess of appropriations.
- We verified that funds were used for the renovation, construction, and acquisition of classrooms and school facilities at various schools in Rosemead School District (District) and we verified that funding was not used for salaries of school administrators or other operating expenses of the District.

ROSEMEAD SCHOOL DISTRICT
PROPOSITION 39 FUNDING
PERFORMANCE AUDIT – MEASURE O
For the Fiscal Year Ended June 30, 2012

RESULTS OF PROCEDURES

The District incurred total costs of \$173,215 during the fiscal year ended June 30, 2012 and all expenditures were used to finance new construction and additions to and modernization of school facilities for the District.

CONCLUSION

Based upon the procedures performed, we found that for the items tested, the Rosemead School District has properly accounted for the expenditures of the Proposition 39/Measure O 2008 General Obligation Bonds. Further, it was noted that the funds were not used for salaries of school administrators or other operating expenditures.

ROSEMEAD SCHOOL DISTRICT

**PROPOSITION 39 FUNDING
FINANCIAL AUDIT – MEASURE O**

June 30, 2013

ROSEMEAD UNIFIED SCHOOL DISTRICT
PROPOSITION 39 FUNDING
FINANCIAL AUDIT
June 30, 2013

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The Board of Trustees
The Citizens' Oversight Committee
Rosemead School District
Rosemead, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Bond Building Fund – Measure O of the Rosemead School District (District), as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Bond Building Fund – Measure O, of the District, as of and for the fiscal year ended June 30, 2013, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013, on our consideration of the District's internal control over the Bond Building Fund's 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 controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on other legal and regulatory requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated December 9, 2013 on our consideration of the Bond Building Fund – Measure O's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Bond Building Fund – Measure O for the fiscal year ended June 30, 2013 should be considered in assessing the results of our financial audit.



Moss, Levy & Hartzheim, LLP
Culver City, California
December 9, 2013

ROSEMEAD SCHOOL DISTRICT
BALANCE SHEET
BOND BUILDING FUND – MEASURE O
June 30, 2013

Assets

Cash in County Treasury	\$ 8,555,666
Cash with fiscal agent	22,331
Accounts receivable	<u>30,117</u>
Total current assets	<u><u>\$ 8,608,114</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts payable	<u>\$ 383,352</u>
Total liabilities	<u>383,352</u>

Fund Balance:

Restricted for building projects	<u>8,224,762</u>
Total fund balance	<u>8,224,762</u>
Total liabilities and fund balance	<u><u>\$ 8,608,114</u></u>

ROSEMEAD SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BOND BUILDING FUND – MEASURE O**

For the Fiscal Year Ended June 30, 2013

Revenues:

Interest	\$ 85,385
Total revenues	<u>85,385</u>

Expenditures:

Material and supplies	505,860
Contracted services and other operating expenditures	412,335
Capital outlay	<u>2,905,198</u>
Total expenditures	<u>3,823,393</u>
Excess (deficiency) of revenues over expenditures	<u>(3,738,008)</u>

Other Financing Sources (Uses):

Expenditure transferred from Measure RR	<u>(1,438,985)</u>
Total other financing sources (uses)	<u>(1,438,985)</u>
Excess (deficiency) of revenue over (under) expenditures	(5,176,993)
Fund balance, beginning of fiscal year	<u>13,401,755</u>
Fund balance, end of fiscal year	<u><u>\$ 8,224,762</u></u>

ROSEMEAD SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL****BOND BUILDING FUND – MEASURE O**

For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest	\$ 60,000	\$ 85,385	\$ 25,385
Total revenues	60,000	85,385	25,385
Expenditures:			
Material and supplies	166,400	505,860	(339,460)
Contracted services and other operating expenditures	50,000	412,335	(362,335)
Capital outlay	10,200	2,905,198	(2,894,998)
Total expenditures	226,600	3,823,393	(3,596,793)
Excess (deficiency) of revenues over expenditures	(166,600)	(3,738,008)	(3,571,408)
Other Financing Sources (Uses):			
Expenditure transferred from Measure RR		(1,438,985)	(1,438,985)
Total other financing sources (uses)		(1,438,985)	(1,438,985)
Net change in fund balance	(166,600)	(5,176,993)	(5,010,393)
Fund balance, beginning of fiscal year	13,401,755	13,401,755	
Fund balance, end of fiscal year	<u>\$ 13,235,155</u>	<u>\$ 8,224,762</u>	<u>\$ (5,010,393)</u>

ROSEMEAD SCHOOL DISTRICT
BOND BUILDING FUND – MEASURE O
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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).

Fund Structure

The Statement of Revenues, Expenditures, and Changes in Fund Balance is a statement of financial activities of the Bond Building Fund – Measure O related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, and transfers to other funds. Consequently, these statements do not purport to present the results of operations of the net income or loss for the period as would a statement of income for a profit-type organization.

Basis of Accounting

The Bond Building Fund – Measure O of the Rosemead 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 Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

Budget

The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual includes a column entitled “Final Budget”. The amounts in this column represent the most recent updated budget information provided by the District.

Capital Assets and Long-Term Debt

The accounting and reporting treatment applied to the capital assets and long-term debt liabilities associated with the Bond Building Fund – Measure O are determined by its measurement focus. The Bond Building Fund – Measure O 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 Bond Building Fund – Measure O are accounted for in the basic financial statements of the District.

ROSEMEAD SCHOOL DISTRICT
BOND BUILDING FUND – MEASURE O
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 – BONDED DEBT

2008 Measure O GO Bond

On November 4, 2008, \$30,000,000 in general obligation bonds were authorized by an election held within the District. On December 10, 2009, \$9,000,000 of the general obligation bonds were sold under Proposition 39/Measure O 2008, which provides that proceeds of the bonds will be used to finance new construction and additions to and modernization of school facilities for the District.

2011 General Obligation Bond Anticipation Notes

On April 27, 2011, the District pursuant to a resolution adopted by its Board of Education issued the 2011 General Obligation Bond Anticipation Notes (the “Notes”) of \$5,303,817 with stated interest rate of 4%. The proceeds from the issuance of the Notes will be used to finance the acquisition and construction of educational facilities and projects. The Notes were issued as capital appreciation notes with 4.670% accretion rate and the accreted value of the Notes are payable upon the surrender of the Notes at maturity.

The outstanding related bonded debt for the District Measure O at June 30, 2013, is:

Date Of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding June 30, 2012	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2013
12/10/2009	5.0%-6.0%	2040	\$ 9,000,000	\$ 8,725,000	\$ -	\$ (150,000)	\$ 8,575,000
5/11/2011	4.0%	2016	5,303,817	5,303,817			5,303,817

The annual requirements to amortize the bonds payable outstanding as of June 30, 2013, are as follows:

2008 Measure O GO Bond

Fiscal Years Ending June 30,	Principal	Interest	Total
2014	\$ 155,000	\$ 431,825	\$ 586,825
2015	165,000	422,225	587,225
2016	175,000	412,025	587,025
2017	180,000	401,375	581,375
2018	195,000	390,613	585,613
2019-2023	1,115,000	1,791,625	2,906,625
2024-2028	1,410,000	1,478,000	2,888,000
2029-2033	1,795,000	1,079,375	2,874,375
2034-2038	2,295,000	570,625	2,865,625
2039-2040	1,090,000	55,250	1,145,250
	<u>\$ 8,575,000</u>	<u>\$ 7,032,938</u>	<u>\$ 15,607,938</u>

ROSEMEAD SCHOOL DISTRICT
BOND BUILDING FUND – MEASURE O
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 – BONDED DEBT (Continued)

The annual requirements to amortize the bonds payable outstanding as of June 30, 2013, are as follows (Continued):

2011 General Obligation Bond Anticipation Notes

Fiscal Years Ending June 30,	Principal	Interest*	Total
2014	\$ -	\$ -	\$ -
2015			
2016	5,303,817	1,191,183	6,495,000
	<u>\$ 5,303,817</u>	<u>\$ 1,191,183</u>	<u>\$ 6,495,000</u>

*The balance includes accreted interest.



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

The Board of Trustees
The Citizens' Oversight Committee
Rosemead School District
Rosemead, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Bond Building Fund – Measure O of the Rosemead School District (District) as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 9, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 report is intended solely for the information and use of the Board, the Citizens' Oversight Committee, and management. It is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
December 9, 2013

ROSEMEAD SCHOOL DISTRICT
BOND BUILDING FUND – MEASURE O
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2013

There were no findings or questioned costs related to the financial audit of the Bond Building Fund – Measure O for the fiscal year ended June 30, 2013.

ROSEMEAD SCHOOL DISTRICT

**PROPOSITION 39 FUNDING
PERFORMANCE AUDIT – MEASURE O**

For the Fiscal Year Ended
June 30, 2013

ROSEMEAD SCHOOL DISTRICT
PROPOSITION 39 FUNDING
PERFORMANCE AUDIT – MEASURE O
For the Fiscal Year Ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Citizens' Oversight Committee
Rosemead School District
Rosemead, California

We have conducted a performance audit of the Measure O 2008 General Obligation Bonds of the Rosemead School District (District)'s compliance with the performance requirements for Proposition 39, as incorporated in Article 13A of the California Constitution and Education Code Section 15264 et seq., during the fiscal year that ended on June 30, 2013. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our performance audit.

We conducted this performance audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to performance audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States, and the performance requirements for the Proposition 39 Measure O General Obligation Bond under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The attached performance audit report as referenced in the table of contents presents the objectives, scope, and methodology of the audit. The performance audit report also includes the results of our performance audit and conclusion.

We have audited the financial statements of the Measure O 2008 General Obligation Bonds for the fiscal year ended June 30, 2013 and have issued our report thereon dated December 9, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the performance requirements for the Proposition 39 Measure O General Obligation Bond under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution.

In our opinion, the Measure O 2008 General Obligation Bonds complied, in all material respects, with the aforementioned requirements during the fiscal year that ended on June 30, 2013. This report is intended solely for the information and use of the District's Governing Board, the Measure O Citizen Oversight Committee, management, others within the entity, and the taxpayers of the District and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 9, 2013

ROSEMEAD SCHOOL DISTRICT
PROPOSITION 39 FUNDING
PERFORMANCE AUDIT – MEASURE O
For the Fiscal Year Ended June 30, 2013

OBJECTIVES

The objectives of our Performance Audit were:

- 1) Document the expenditures charged to the voter approved 2008 General Obligation Bonds.
- 2) Determine whether all expenditures for the fiscal year ended June 30, 2013, charged to the Building Fund Measure O have been made in accordance with project budgets and guidelines.
- 3) Note any incongruities or system weaknesses and provide recommendations for improvement.

SCOPE OF THE AUDIT

The scope of our Performance Audit covered the period from July 1, 2012 through June 30, 2013. 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 were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2013, were not reviewed or included within the scope of our audit.

BACKGROUND INFORMATION

On November 4, 2008, \$30,000,000 in general obligation bonds were authorized by an election held within the District. On December 10, 2009, \$9,000,000 of the general obligation bonds were sold under Proposition 39/Measure O 2008, which provides that proceeds of the bonds will be used to refinance certificates of participations, finance new construction, additions to, and modernization of school facilities for the District. On April 27, 2011, the District pursuant to a resolution adopted by its Board of Education issued the 2011 General Obligation Bond Anticipation Notes (the “Notes”) of \$5,303,817 with stated interest rate of 4%. The proceeds from the issuance of the Notes will be used to finance the acquisition and construction of educational facilities and projects. The Notes were issued as capital appreciation notes with 4.670% accretion rate and the accreted value of the Notes are payable upon the surrender of the Notes at maturity.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure summary reports and detail prepared by the District for the fiscal year ended June 30, 2013 for the Building Fund - Measure O. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for selected expenditures to ensure compliance with Proposition 39/Measure O 2008 funding. We performed the following procedures:

- We reviewed the School Plan Bond Project publicized list of intended projects.
- We selected expenditures in the fiscal year ending June 30, 2013, and reviewed supporting documentation to ensure that funds were properly expended on the specific projects outlined on the publicized list and met the requirements for bidding, if applicable.
- We compared total project expenditures to budgets, to determine if there was any expenditure in excess of appropriations.

ROSEMEAD SCHOOL DISTRICT
PROPOSITION 39 FUNDING
PERFORMANCE AUDIT – MEASURE O
For the Fiscal Year Ended June 30, 2013

PROCEDURES PERFORMED (Continued)

- We verified that funds were used for the renovation, construction, and acquisition of classrooms and school facilities at various schools in the Rosemead School District (District) and we verified that funding was not used for salaries of school administrators or other operating expenses of the District.

RESULTS OF PROCEDURES

The District incurred total costs of \$3,823,393 during the fiscal year ended June 30, 2013 and all expenditures were used to finance new construction and additions to and modernization of school facilities for the District.

CONCLUSION

Based upon the procedures performed, we found that for the items tested, the Rosemead School District has properly accounted for the expenditures of the Proposition 39/Measure O 2008 General Obligation Bonds. Further, it was noted that the funds were not used for salaries of school administrators or other operating expenditures.