

ROSEMEAD SCHOOL DISTRICT

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

For the Fiscal Year Ended
June 30, 2018

ROSEMEAD SCHOOL DISTRICT
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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's (District) compliance with the performance requirements for Proposition 39, as incorporated in Article XIII A of the California Constitution and Education Code Section 15264 et seq., during the fiscal year that ended on June 30, 2018. 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, 2018 and have issued our report thereon dated December 14, 2018. 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, 2018. 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 14, 2018

ROSEMEAD SCHOOL DISTRICT
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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, 2018, 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, 2017 through June 30, 2018. 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, 2018, 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 Series A 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 participation, 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. On August 1, 2013, the District, pursuant to an amended resolution adopted by its Board of Education, issued the 2013 General Obligation Bonds Election 2008 Series B and Series T-1. The proceeds from the sale of the Series B bonds were used to advance refund the 2011 General Obligation Bond Anticipation Notes, in the principal amount of \$5,303,817 and to finance new construction. The proceeds from the T-1 series were used to finance technology acquisitions. On June 22, 2016, the District, pursuant to a resolution adopted by its Board of Education, issued the 2016 General Obligation Refunding Bonds in the amount of \$12,800,000 with stated interest rates ranging from 2.00% to 4.00%. The proceeds from the sale of the bonds were used to advance refund the 2000 General Obligation Bonds Series D in the amount of \$4,585,000 (2000 Measure RR) and the 2008 General Obligation Bonds (2008 Measure O Series A) in the amount of \$8,215,000. On December 14, 2017, the District, pursuant to a resolution adopted by its Board of Education, issued the 2017 General Obligation Bonds in the amount of \$1,800,000 with stated interest rates at 4.00%. The proceeds from the sale of the bonds were used to finance District’s capital improvements projects.

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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, 2018 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, 2018 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 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 \$1,480,703 during the fiscal year ended June 30, 2018 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.