

ROSEMEAD SCHOOL DISTRICT

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

June 30, 2021

ROSEMEAD SCHOOL DISTRICT
PROPOSITION 39 FUNDING
FINANCIAL AUDIT
June 30, 2021

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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

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, 2021, 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 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 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.

Opinion

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 June 30, 2021, 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.

Emphasis of Matter

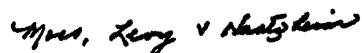
As discussed in Note 1, the financial statements present only the Building Fund – Measure O and do not present fairly the financial position of the Rosemead School District, as of June 30, 2021, and the change in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2022, 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 XIII A, we have also issued our performance audit report dated January 4, 2022 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, 2021 and should be considered in assessing the results of our financial audit.



Moss, Levy & Hartzheim, LLP
Culver City, California
January 4, 2022

ROSEMEAD SCHOOL DISTRICT
BALANCE SHEET
BOND BUILDING FUND – MEASURE O
June 30, 2021

Assets

Cash in County Treasury	\$ -
Total current assets	<u>\$ -</u>

Liabilities and Fund Balance

Liabilities:

Accounts payable	\$ -
Total liabilities	<u>-</u>

Fund Balance:

Restricted for building projects	<u>-</u>
Total fund balance	<u>-</u>
Total liabilities and fund balance	<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, 2021

Revenues:

Interest	\$ 222
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Total revenues	222
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Expenditures:

Material and supplies	214
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Capital outlay	78,306
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Total expenditures	78,520
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Excess (deficiency) of revenues over expenditures	(78,298)
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Fund balance, beginning of fiscal year	78,298
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Fund balance, end of fiscal year	\$ -
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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, 2021

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest	\$ 222	\$ 222	\$ -
Total revenues	222	222	-
Expenditures:			
Material and supplies	214	214	-
Capital outlay	78,306	78,306	-
Total expenditures	78,520	78,520	-
Excess (deficiency) of revenues over expenditures	(78,298)	(78,298)	-
Fund balance, beginning of fiscal year	78,298	78,298	-
Fund balance, end of fiscal year	\$ -	\$ -	\$ -

ROSEMEAD SCHOOL DISTRICT
BOND BUILDING FUND – MEASURE O
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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 and GASB Statement No. 72.

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, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, 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 amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those reported.

NOTE 2 – BONDED DEBT

2013 General Obligation Bonds Election 2008 Series B

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. The Series B issue consisted of: a) Capital Appreciation Bonds in the amount of \$3,683,657 and b) Convertible Capital Appreciation Bonds in an amount of \$3,882,846 with a conversion value of \$5,130,000.

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. On October 9, 2019, the partial outstanding balance of 2013 General Obligation Bonds Election 2008 Series B in the amount of \$7,292,763 were refunded by the 2019 General Obligation Refunding Bonds. As of June 30, 2021, the principal balance outstanding on these bonds was \$246,292.

2017 General Obligation Bonds Election 2008 Series C

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 improvement projects. As of June 30, 2021, the principal balance outstanding on these bonds was \$1,800,000.

2016 General Obligation Refunding Bonds

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) in the amount of \$8,215,000. As of June 30, 2021, the principal balance outstanding on the bonds related to the 2016 Measure O was \$7,462,476.

ROSEMEAD SCHOOL DISTRICT
BOND BUILDING FUND – MEASURE O
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 2 – BONDED DEBT (Continued)

The outstanding related bonded debt for the District Measure O Bonds at June 30, 2021, is:

Date Of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Balance Outstanding July 1, 2020	Issued Current Year	Redeemed Current Year	Balance Outstanding June 30, 2021
10/2/2013	3.59%-6.66%	2043	\$ 7,566,503	\$ 273,740	\$ -	\$ (27,448)	\$ 246,292
6/22/2016	2.0%-4.0%	2039	8,215,000	7,761,035		(298,559)	7,462,476
12/14/2017	4.00%	2048	1,800,000	1,800,000			1,800,000
			<u>\$ 17,581,503</u>	<u>\$ 9,834,775</u>	<u>\$ -</u>	<u>\$ (326,007)</u>	<u>\$ 9,508,768</u>

The annual requirements to amortize the bonds payable outstanding as of June 30, 2021, are as follows:

2013 2008 Series B Refunding Bonds

Fiscal Years Ending June 30,	Principal	Interest	Total
2022	\$ 58,984	\$ 321,121	\$ 380,105
2023	83,204	336,901	420,105
2024	104,104	356,001	460,105
	<u>\$ 246,292</u>	<u>\$ 1,014,023</u>	<u>\$ 1,260,315</u>

2013 2008 Series C

Fiscal Years Ending June 30,	Principal	Interest	Total
2022	\$ -	\$ 72,000	\$ 72,000
2023		72,000	72,000
2024		72,000	72,000
2025		72,000	72,000
3026		72,000	72,000
2027-2031		360,000	360,000
2032-2036		360,000	360,000
2037-2041		360,000	360,000
2042-2046	825,000	327,700	1,152,700
2047-2048	975,000	39,900	1,014,900
	<u>\$ 1,800,000</u>	<u>\$ 1,807,600</u>	<u>\$ 3,607,600</u>

ROSEMEAD SCHOOL DISTRICT
BOND BUILDING FUND – MEASURE O
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 2 – BONDED DEBT (Continued)

The annual requirements to amortize the bonds payable outstanding as of June 30, 2021, are as follows (Continued):

2016 General Obligation Refunding Bonds

This represent total debt service schedule and including only the portion of the 2008 series.

Fiscal Years			
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 302,827	\$ 222,654	\$ 525,481
2023	312,682	216,799	529,481
2024	316,990	211,291	528,281
2025	326,863	205,118	531,981
3026	332,414	193,467	525,881
2027-2031	1,815,829	818,771	2,634,600
2032-2036	2,133,673	499,427	2,633,100
2037-2040	<u>1,921,198</u>	<u>193,354</u>	<u>2,114,552</u>
	<u>\$ 7,462,476</u>	<u>\$ 2,560,881</u>	<u>\$10,023,357</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, 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, 2021, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated January 4, 2022.

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*.

Purpose of this Report

This report is intended solely for the information and use of the Board of Trustees, 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
January 4, 2022

ROSEMEAD SCHOOL DISTRICT
BOND BUILDING FUND – MEASURE O
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021

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, 2021.

ROSEMEAD SCHOOL DISTRICT
BOND BUILDING FUND – MEASURE O
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021

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, 2020.

ROSEMEAD SCHOOL DISTRICT

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

For the Fiscal Year Ended
June 30, 2021

ROSEMEAD SCHOOL DISTRICT
PROPOSITION 39 FUNDING
PERFORMANCE AUDIT – MEASURE O
For the Fiscal Year Ended June 30, 2021

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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, 2021. 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, 2021 and have issued our report thereon dated January 4, 2022. 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, 2021. 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
January 4, 2022

ROSEMEAD SCHOOL DISTRICT
PROPOSITION 39 FUNDING
PERFORMANCE AUDIT – MEASURE O
For the Fiscal Year Ended June 30, 2021

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, 2021, 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, 2020 through June 30, 2021. 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, 2021, 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.

ROSEMEAD SCHOOL DISTRICT
PROPOSITION 39 FUNDING
PERFORMANCE AUDIT – MEASURE O
For the Fiscal Year Ended June 30, 2021

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, 2021 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, 2021 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 \$78,520 during the fiscal year ended June 30, 2021 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.