

ROSEMEAD SCHOOL DISTRICT

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

June 30, 2017

ROSEMEAD UNIFIED SCHOOL DISTRICT
PROPOSITION 39 FUNDING
FINANCIAL AUDIT
June 30, 2017

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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

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, 2017, 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.

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, 2017, 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, 2017, 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 March 26, 2018, 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 March 26, 2018 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, 2017 and should be considered in assessing the results of our financial audit.



Moss, Levy & Hartzheim, LLP
Culver City, California
March 26, 2018

ROSEMEAD SCHOOL DISTRICT
BALANCE SHEET
BOND BUILDING FUND – MEASURE O
 June 30, 2017

Assets

Cash in County Treasury	\$ 1,075,996
Accounts receivable	<u>9,024</u>
Total current assets	<u><u>\$ 1,085,020</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts payable	<u>\$ 171,981</u>
Total liabilities	<u>171,981</u>

Fund Balance:

Restricted for building projects	<u>913,039</u>
Total fund balance	<u>913,039</u>
Total liabilities and fund balance	<u><u>\$ 1,085,020</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, 2017

Revenues:

Interest	\$ 21,945
	<u>21,945</u>
Total revenues	<u>21,945</u>

Expenditures:

Material and supplies	96,331
Contracted services and other operating expenditures	163,601
Capital outlay	<u>1,055,151</u>
Total expenditures	<u>1,315,083</u>

Excess (deficiency) of revenues over expenditures (1,293,138)

Fund balance, beginning of fiscal year 2,206,177

Fund balance, end of fiscal year \$ 913,039

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, 2017

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest	\$ 18,568	\$ 21,945	\$ 3,377
Total revenues	18,568	21,945	3,377
Expenditures:			
Material and supplies	100,392	96,331	4,061
Contracted services and other operating expenditures	68,200	163,601	(95,401)
Capital outlay	1,076,632	1,055,151	21,481
Total expenditures	1,245,224	1,315,083	(69,859)
Excess (deficiency) of revenues over expenditures	(1,226,656)	(1,293,138)	(66,482)
Fund balance, beginning of fiscal year	2,206,177	2,206,177	
Fund balance, end of fiscal year	\$ 979,521	\$ 913,039	\$ (66,482)

ROSEMEAD SCHOOL DISTRICT
BOND BUILDING FUND – MEASURE O
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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, 2017

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

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. On June 22, 2016, the partial outstanding balance of 2008 Measure O GO Bonds in the amount of \$8,215,000 were refunded by the 2016 General Obligation Refunding Bonds. As of June 30, 2017, the principal balance outstanding on these bonds (2008) was \$615,000.

2013 General Obligation Bonds Election 2008 Series B and 2008 Series T-1

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 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 Series T-1 consisted of Current Interest Bonds in an amount of \$760,000.

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. The proceeds from the T-1 series were used to finance technology acquisitions. As of June 30, 2017, the principal balance outstanding on these bonds was \$8,041,503. Accreted interest payable as of June 30, 2017 was \$1,838,521.

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, 2017, the principal balance outstanding on the bonds related to the 2016 Measure O was \$7,965,000.

ROSEMEAD SCHOOL DISTRICT
BOND BUILDING FUND – MEASURE O
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 – BONDED DEBT (Continued)

The outstanding related bonded debt for the District Measure O Bonds at June 30, 2017, is:

Date Of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2016	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2017
12/10/2009	5.0%-6.0%	2040	\$ 9,000,000	\$ 795,000	\$ -	\$ (180,000)	\$ 615,000
10/2/2013	3.59%-6.66%	2043	7,566,503	7,566,503			7,566,503
10/2/2013	2.0%-3.0%	2018	760,000	650,000		(175,000)	475,000
6/22/2016	2.0%-4.0%	2039	8,215,000	8,215,000		(250,000)	7,965,000
			<u>\$ 25,541,503</u>	<u>\$ 17,226,503</u>	<u>\$ -</u>	<u>\$ (605,000)</u>	<u>\$ 16,621,503</u>

The annual requirements to amortize the bonds payable outstanding as of June 30, 2017, are as follows:

2008 Measure O GO Bond

Fiscal Years Ending June 30,	Principal	Interest	Total
2018	\$ 195,000	\$ 26,363	\$ 221,363
2019	205,000	15,875	220,875
2020	215,000	5,375	220,375
	<u>\$ 615,000</u>	<u>\$ 47,613</u>	<u>\$ 662,613</u>

2013 2008 Series B Refunding Bonds

Fiscal Years Ending June 30,	Principal	Interest	Total
2018	\$ -	\$ -	\$ -
2019			
2020		300,105	300,105
2021	27,448	307,657	335,105
2022	58,984	321,121	380,105
2023-2027	609,274	1,926,252	2,535,526
2028-2032	935,412	2,865,114	3,800,526
2033-2037	1,037,082	4,303,443	5,340,525
2038-2042	1,662,597	6,137,928	7,800,525
2043-2044	3,235,706	1,420,715	4,656,421
	<u>\$ 7,566,503</u>	<u>\$17,582,335</u>	<u>\$25,148,838</u>

ROSEMEAD SCHOOL DISTRICT
BOND BUILDING FUND – MEASURE O
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 – BONDED DEBT (Continued)

The annual requirements to amortize the bonds payable outstanding as of June 30, 2017, are as follows (Continued):

2013 2008 Series T-1 Bonds

Fiscal Years Ending June 30,	Principal	Interest	Total
2018	\$ 220,000	\$ 10,950	\$ 230,950
2019	255,000	3,825	258,825
	<u>\$ 475,000</u>	<u>\$ 14,775</u>	<u>\$ 489,775</u>

2016 General Obligation Refunding Bonds

This represent total debt service schedule and including portion of 2000 series.

Fiscal Years Ending June 30,	Principal	Interest	Total
2018	\$ 155,000	\$ 366,594	\$ 521,594
2019	160,000	363,444	523,444
2020	160,000	360,244	520,244
2021	470,000	353,944	823,944
2022	475,000	344,494	819,494
2023-2027	2,545,000	1,550,270	4,095,270
2028-2032	2,905,000	1,133,485	4,038,485
2033-2037	3,405,000	606,250	4,011,250
2037-2040	2,275,000	103,575	2,378,575
	<u>\$ 12,550,000</u>	<u>\$ 5,182,300</u>	<u>\$ 17,732,300</u>

ROSEMEAD SCHOOL DISTRICT
BOND BUILDING FUND – MEASURE O
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2017

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, 2017.



MOSS, LEVY & HARTZHEIM LLP

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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, 2017, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated March 26, 2018.

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
March 26, 2018

ROSEMEAD SCHOOL DISTRICT
BOND BUILDING FUND – MEASURE O
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2017

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, 2017.