



**VICENTI LLOYD & STUTZMAN LLP**

**MAKING A POSITIVE DIFFERENCE IN OUR WORLD**

**ROWLAND UNIFIED SCHOOL DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
BOND BUILDING FUND  
MEASURE R  
FINANCIAL AUDIT**

**Fiscal Year Ending June 30, 2007**

RESPECT FOR  
THE  
INDIVIDUAL



HIGH ETHICAL  
STANDARDS



INNOVATION  
CREATIVITY  
CHANGE



MUTUAL TRUST



UNEQUIVOCAL  
EXCELLENCE

**ROWLAND UNIFIED SCHOOL DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**BOND BUILDING FUND**  
**MEASURE R**  
**FINANCIAL AUDIT**

**June 30, 2007**

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INDEPENDENT AUDITORS' REPORT

Board of Education  
The Citizens' Oversight Committee  
Rowland Unified School District  
1830 Nogales Street  
Rowland Heights, CA 91748

We have audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Bond Building Fund – Measure R of the Rowland Unified School District as of and for the fiscal year ended June 30, 2007. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit of the Bond Building Fund – Measure R 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 R 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 R 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 for the Rowland Unified School District Bond Building Fund – Measure R as of June 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2007 on our consideration of the Rowland Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

*Vicenti, Lloyd & Stutzman LLP*  
VICENTI, LLOYD & STUTZMAN LLP

December 6, 2007

**ROWLAND UNIFIED SCHOOL DISTRICT**

**BALANCE SHEET**

**BOND BUILDING FUND - MEASURE R**

**June 30, 2007**

**ASSETS**

Cash in County Treasury	\$ 48,468,244
Accounts Receivable	<u>1,296,878</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 49,765,122</u></b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts Payable	\$ <u>1,241,635</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,241,635</u></b>

**FUND BALANCE**

Designated	<u>48,523,487</u>
<b>TOTAL FUND BALANCE</b>	<b><u>48,523,487</u></b>

<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 49,765,122</u></b>
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See the accompanying notes to the financial statements.

**ROWLAND UNIFIED SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BOND BUILDING FUND - MEASURE R  
For the Fiscal Year Ended June 30, 2007**

**REVENUES**

**Revenue from Local Sources**

Interest and investment income \$ 2,161,679

**TOTAL REVENUES** 2,161,679

**EXPENDITURES**

Books and supplies 42,258

Services and other operating expenditures 19,535

Capital outlay 1,576,399

**TOTAL EXPENDITURES** 1,638,192

Excess of revenues over expenditures 523,487

**OTHER FINANCING SOURCES**

Proceeds from sale of bonds 48,000,000

**TOTAL OTHER FINANCING SOURCES** 48,000,000

Net change in fund balance 48,523,487

Fund Balance at Beginning of Year -

Fund Balance at End of Year \$ 48,523,487

See the accompanying notes to the financial statements.

**ROWLAND UNIFIED SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BOND BUILDING FUND - MEASURE R**

**For the Fiscal Year Ended June 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
<b>Revenue from Local Sources</b>			
Interest and investment income	\$ 859,162	\$ 2,161,679	\$ 1,302,517
<b>TOTAL REVENUES</b>	<u>859,162</u>	<u>2,161,679</u>	<u>1,302,517</u>
 <b>EXPENDITURES</b>			
Books and supplies	42,296	42,258	38
Services and other operating expenditures	19,535	19,535	-
Capital outlay	<u>2,823,492</u>	<u>1,576,399</u>	<u>1,247,093</u>
<b>TOTAL EXPENDITURES</b>	<u>2,885,323</u>	<u>1,638,192</u>	<u>1,247,131</u>
 Excess of revenues over expenditures	<u>(2,026,161)</u>	<u>523,487</u>	<u>2,549,648</u>
 <b>OTHER FINANCING SOURCES</b>			
Proceeds from Sale of Bonds	<u>48,000,000</u>	<u>48,000,000</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>48,000,000</u>	<u>48,000,000</u>	<u>-</u>
 Net* change in fund balance	<u>\$ 45,973,839</u>	48,523,487	<u>\$ 2,549,648</u>
 Fund Balance at Beginning of Year		<u>-</u>	
 Fund Balance at End of Year		<u>\$ 48,523,487</u>	

See the accompanying notes to the financial statements.

**ROWLAND UNIFIED SCHOOL DISTRICT  
BOND BUILDING FUND – MEASURE R**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants.

**FUND STRUCTURE**

The Statement of Revenues, Expenditures, and Change in Fund Balance is a statement of financial activities of the Bond Building Fund – Measure R related to the current reporting period. Fund expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or 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 R of the Rowland Unified School 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).

During the year, 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 Change in Fund Balance – Budget and Actual includes a column entitled “Budget”. The amounts in this column represent the allocation of the budget adopted by the Board and all amendments throughout the year in regards to the Prop 39 Bond amounts.

**ROWLAND UNIFIED SCHOOL DISTRICT  
BOND BUILDING FUND – MEASURE R**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**CAPITAL ASSETS AND LONG-TERM DEBT**

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

**NOTE 2 - DEPOSITS:**

**CASH IN COUNTY**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair market value of the District’s Bond Building Fund – Measure R deposits in this pool as of June 30, 2007, as provided by the pool sponsor, was \$48,384,345.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.



**ROWLAND UNIFIED SCHOOL DISTRICT  
BOND BUILDING FUND – MEASURE R**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2007**

**NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:**

There were no excesses of expenditures over appropriations, in the Bond Building Fund – Measure R.

**NOTE 4 – BONDED DEBT:**

On June 6, 2006, the District voters authorized the issuance and sale of general obligation bonds totaling \$118,000,000. On August 23, 2006, \$48,000,000 of Series A general obligation bonds were sold under Proposition 39/Measure R which provides that proceeds of the bonds will generally be used to finance the construction, renovation and improvement of school facilities.

The outstanding related bonded debt for the Rowland Unified School District at June 30, 2007 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2006</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2007</u>
8/23/06	4.0-5.0%	8/1/31	\$ 48,000,000	\$ -	\$ 48,000,000	\$ -	\$ 48,000,000

**ROWLAND UNIFIED SCHOOL DISTRICT  
BOND BUILDING FUND – MEASURE R**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2007**

**NOTE 4 – BONDED DEBT: (continued)**

The annual requirements to amortize Series A bonds payable, outstanding as of June 30, 2007, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest Payment</u>	<u>Total</u>
2008	\$ 2,500,000	\$ 2,299,525	\$ 4,799,525
2009	1,450,000	2,210,650	3,660,650
2010	1,650,000	2,140,775	3,790,775
2011	-	2,103,525	2,103,525
2012	135,000	2,100,825	2,235,825
2013-2017	2,410,000	10,287,750	12,697,750
2018-2022	6,440,000	9,243,563	15,683,563
2023-2027	12,275,000	6,864,375	19,139,375
2028-2032	21,140,000	2,850,250	23,990,250
	<u>\$ 48,000,000</u>	<u>\$ 40,101,238</u>	<u>\$ 88,101,238</u>

The repayment of the debt related to the general obligations bonds is accounted for in the District's Bond Interest and Redemption Fund which is part of the Rowland Unified School District's basic financial statements. The recognition of premiums on bonds is recorded as long-term liabilities and the recognition of issuance costs is recognized as capitalized fees in the basic financial statements of the Rowland Unified School District.

**NOTE 5 – COMMITMENTS AND CONTINGENCIES:**

**PURCHASE COMMITMENTS**

As of June 30, 2007, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$4.5 million to be funded through bond proceeds.



**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**

Board of Education  
The Citizens' Oversight Committee  
Rowland Unified School District  
1830 Nogales Street  
Rowland Heights, CA 91748

We have audited the basic financial statements of Rowland Unified School District as of and in the year ended June 30, 2007, and have issued one report therein dated December 6, 2007. We have also audited the Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Bond Building Fund – Measure R of the Rowland Unified School District as of and for the fiscal year ended June 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rowland Unified School District's internal control over Bond Building Fund – Measure R financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the fund 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's Bond Building Fund – Measure R financial statement that is more than inconsequential will not be prevented or detected by the District's internal control.

**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**

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Bond Building Fund – Measure R financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over Bond Building Fund – Measure R financial reporting was for the limited purpose described in the first paragraph of this section and could not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rowland Unified School District's Bond Building Fund – Measure R financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 of the Bond Building Fund – Measure R disclosed no instances of noncompliance and other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the District's Board of Education, the Citizens' Oversight Committee and District management. It is not intended to be and should not be used by anyone other than these specified parties.

*Vicenti, Lloyd & Stutzman LLP*  
VICENTI, LLOYD & STUTZMAN LLP

December 6, 2007

**ROWLAND UNIFIED SCHOOL DISTRICT  
BOND BUILDING FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2007**

There were no findings or questioned costs for fiscal year ended June 30, 2007