

**ROWLAND UNIFIED SCHOOL DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
BOND BUILDING FUND – MEASURE R (2006)  
FINANCIAL AUDIT**

**Fiscal Year Ending June 30, 2010**



**ROWLAND UNIFIED SCHOOL DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**BOND BUILDING FUND – MEASURE R (2006)**  
**FINANCIAL AUDIT**

**June 30, 2010**

**CONTENTS**

	<u>Page</u>
Independent Auditors' Report .....	1
Balance Sheet .....	2
Statement of Revenues, Expenditures and Change in Fund Balance.....	3
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual .....	4
Notes to Financial Statements .....	5-11
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 .....	12-13
Schedule of Findings and Responses.....	14



## INDEPENDENT AUDITORS' REPORT

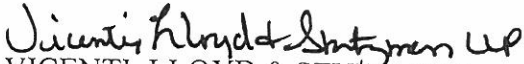
Board of Education  
The Citizens' Bond Oversight Committee  
Rowland Unified School District  
1830 Nogales Street  
Rowland Heights, CA 91748

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financials statements of the Rowland Unified School District, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated December 3, 2010. We have also 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 (2006) of the Rowland Unified School District as of and for the fiscal year ended June 30, 2010. 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 (2006) 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 (2006) 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 (2006) 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 Bond Building Fund – Measure R (2006) of the Rowland Unified School District as of June 30, 2010, 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 February 9, 2011 on our consideration of the Rowland Unified School District's internal control over Bond Building Fund – Measure R (2006) 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

February 9, 2011

**ROWLAND UNIFIED SCHOOL DISTRICT  
BOND BUILDING FUND – MEASURE R (2006)**

**BALANCE SHEET  
June 30, 2010**

**ASSETS**

Cash in county treasury	\$ 75,875,153
Accounts receivable	<u>255,098</u>

**TOTAL ASSETS** **\$ 76,130,251**

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable	<u>\$ 1,121,383</u>
------------------	---------------------

**TOTAL LIABILITIES** **1,121,383**

**FUND BALANCE**

Designated	<u>75,008,868</u>
------------	-------------------

**TOTAL FUND BALANCE** **75,008,868**

**TOTAL LIABILITIES AND FUND BALANCE** **\$ 76,130,251**

See the accompanying notes to the financial statements.

**ROWLAND UNIFIED SCHOOL DISTRICT  
BOND BUILDING FUND – MEASURE R (2006)**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
For the Fiscal Year Ended June 30, 2010**

**REVENUES**

Interest and investment income \$ 896,817

**TOTAL REVENUES** 896,817

**EXPENDITURES**

Supplies 4,134

Services and other operating expenditures 39,164

Capital outlay 7,210,879

**TOTAL EXPENDITURES** 7,254,177

Deficiency of revenues over expenditures (6,357,360)

**OTHER FINANCING SOURCES**

Proceeds from sale of bonds 44,422,549

**TOTAL OTHER FINANCING SOURCES** 44,422,549

Net change in fund balance 38,065,189

Fund Balance at Beginning of Year 36,943,679

Fund Balance at End of Year \$ 75,008,868

See the accompanying notes to the financial statements.

**ROWLAND UNIFIED SCHOOL DISTRICT  
BOND BUILDING FUND – MEASURE R (2006)**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2010**

	<b>Budget *</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Interest and investment income	\$ 350,000	\$ 896,817	\$ 546,817
<b>TOTAL REVENUES</b>	350,000	896,817	546,817
<b>EXPENDITURES</b>			
Supplies	100,000	4,134	95,866
Services and other operating expenditures	39,165	39,164	1
Capital outlay	49,343,424	7,210,879	42,132,545
<b>TOTAL EXPENDITURES</b>	49,482,589	7,254,177	42,228,412
Deficiency of revenues over expenditures	(49,132,589)	(6,357,360)	42,775,229
<b>OTHER FINANCING SOURCES</b>			
Proceeds from sale of bonds	44,453,333	44,422,549	(30,784)
<b>TOTAL OTHER FINANCING SOURCES</b>	44,453,333	44,422,549	(30,784)
Net change in fund balance	\$ (4,679,256)	38,065,189	\$ 42,744,445
Fund Balance at Beginning of Year		36,943,679	
Fund Balance at End of Year		\$ 75,008,868	

\*Any budgeted revenues reflect estimated amounts to be received in the current year. Any budgeted expenditures reflect amounts budgeted for multi-year projects and therefore will not necessarily coincide with actual current year expenditures.

See the accompanying notes to the financial statements.

**ROWLAND UNIFIED SCHOOL DISTRICT  
BOND BUILDING FUND – MEASURE R (2006)**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010**

**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 (2006) 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 (2006) 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 Proposition 39 Bond amounts.

**ROWLAND UNIFIED SCHOOL DISTRICT  
BOND BUILDING FUND – MEASURE R (2006)**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010**

**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 (2006) are determined by its measurement focus. The bond building fund 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 R (2006) 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 (2006) deposits in this pool as of June 30, 2010, as provided by the pool sponsor, was \$76,046,418.

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 (2006)**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010**

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

There were no excesses of expenditures over appropriations, in the Bond Building Fund – Measure R (2006).

**NOTE 4 – BONDED DEBT:**

On June 6, 2006, the District voters authorized the issuance and sale of general obligation bonds totaling \$118,000,000. The District has issued bonds under Measure R of \$48,000,000 (Series A) on August 23, 2006 and \$32,422,549 (Series B) and \$12,000,000 (Series C) on October 26, 2009. 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, 2010 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2009</u>	<u>Issued Current Year</u>	<u>Accreted Interest Additions</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2010</u>
8/23/06 A	4 0-5 0%	8/01/2031	\$ 48,000,000	\$ 44,050,000	\$	\$	\$ 1,650,000	\$ 42,400,000
10/26/09 B	2 5-5 25%	8/01/2042	32,422,549		32,422,549	332,562		32,755,111
10/26/09 C	6 95%	8/01/2034	12,000,000		12,000,000			12,000,000
			<u>\$ 92,422,549</u>	<u>\$ 44,050,000</u>	<u>\$ 44,422,549</u>	<u>\$ 332,562</u>	<u>\$ 1,650,000</u>	<u>\$ 87,155,111</u>

**SERIES A ISSUE**

Interest due is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2008. The principal with respect to the bonds is payable upon maturity or upon redemption in whole or in part at the corporate trust office of the Paying Agent. The bonds are issuable as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof. The bonds bear an interest rate ranging from 4.0% to 5.0%.

**ROWLAND UNIFIED SCHOOL DISTRICT  
BOND BUILDING FUND – MEASURE R (2006)**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010**

**NOTE 4 – BONDED DEBT: (continued)**

**SERIES A ISSUE (continued)**

At June 30, 2010, the repayment schedule is as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$	\$ 2,103,525	\$ 2,103,525
2012	135,000	2,100,825	2,235,825
2013	225,000	2,093,625	2,318,625
2014	350,000	2,082,125	2,432,125
2015	500,000	2,065,125	2,565,125
2016-2020	4,560,000	9,787,625	14,347,625
2021-2025	9,665,000	7,953,813	17,618,813
2026-2030	17,250,000	4,766,250	22,016,250
2031-2032	9,715,000	497,375	10,212,375
	<u>\$ 42,400,000</u>	<u>\$ 33,450,288</u>	<u>\$ 75,850,288</u>

**ROWLAND UNIFIED SCHOOL DISTRICT  
BOND BUILDING FUND – MEASURE R (2006)**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010**

**NOTE 4 – BONDED DEBT: (continued)**

**SERIES B ISSUE**

Interest due is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2010. The principal with respect to the bonds is payable upon maturity or upon redemption in whole or in part at the corporate trust office of the Paying Agent. The bonds are issuable as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof. The bonds bear an interest rate ranging from 2.5% to 5.25%.

Capital appreciation bonds were issued with maturity dates from August 1, 2023 to August 1, 2042. Prior to the applicable maturity date, each bond will accrete interest on the principal component. Accreted interest accrued is included as long term debt in the basic financial statements of the Rowland Unified School District.

At June 30, 2010, the repayment schedule is as follows:

Year Ending June 30,	Principal	Accreted Interest Component	Current Interest Component	Total
2011	\$	\$	\$ 544,950	\$ 544,950
2012	755,000		529,850	1,284,850
2013	795,000		504,813	1,299,813
2014	850,000		483,188	1,333,188
2015	900,000		458,000	1,358,000
2016-2020	6,350,000		1,659,375	8,009,375
2021-2025	5,727,425	2,872,968	166,125	8,766,518
2026-2030	2,134,533	3,760,467		5,895,000
2031-2035	3,316,656	11,767,709		15,084,365
2036-2040	7,763,280	41,253,284		49,016,564
2041-2043	3,830,655	28,419,345		32,250,000
	<u>\$ 32,422,549</u>	<u>\$ 88,073,773</u>	<u>\$ 4,346,301</u>	<u>\$ 124,842,623</u>

**ROWLAND UNIFIED SCHOOL DISTRICT  
BOND BUILDING FUND – MEASURE R (2006)**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010**

**NOTE 4 – BONDED DEBT: (continued)**

**SERIES C ISSUE**

Interest due is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2010. The principal with respect to the bonds is payable upon maturity or upon redemption in whole or in part at the corporate trust office of the Paying Agent. The bonds are issuable as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof. The bonds bear an interest rate of 6.95%.

The District elected to treat the Series C Bonds as “Build America Bonds” under Section 54AA of the Tax Code, and that the Series C Bonds be “qualified bonds” under Section 54AA(g)(2) of the Tax Code which make the District eligible for a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Series C Bonds. The District will deposit the cash subsidy payments with the County to be credited to the Bond Interest and Redemption Fund of the Rowland Unified School District for the Series C Bonds. Cash subsidy payments are expected to be received contemporaneously with each interest payment date.

At June 30, 2010, the repayment schedule is as follows:

Year Ending June 30,	Principal	Interest	Build America Bond Subsidy	Total
2011	\$	\$ 834,000	\$ (222,979)	\$ 611,021
2012		834,000	(291,900)	542,100
2013		834,000	(291,900)	542,100
2014		834,000	(291,900)	542,100
2015		834,000	(291,900)	542,100
2016-2020		4,170,000	(1,459,500)	2,710,500
2021-2025		4,170,000	(1,459,500)	2,710,500
2026-2030		4,170,000	(1,459,500)	2,710,500
2031-2035	<u>12,000,000</u>	<u>2,849,500</u>	<u>(1,143,275)</u>	<u>13,706,225</u>
	<u>\$ 12,000,000</u>	<u>\$ 19,529,500</u>	<u>\$ (6,912,354)</u>	<u>\$ 24,617,146</u>

**ROWLAND UNIFIED SCHOOL DISTRICT  
BOND BUILDING FUND – MEASURE R (2006)**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010**

**NOTE 4 – BONDED DEBT: (continued)**

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 recorded as capitalized fees in the basic financials statements of the Rowland Unified School District.

**NOTE 5 – PURCHASE COMMITMENTS:**

As of June 30, 2010, the Rowland Unified School District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$10.1 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' Bond Oversight Committee  
Rowland Unified School District  
1830 Nogales Street  
Rowland Heights, CA 91748

We have 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 (2006) of the Rowland Unified School District as of and for the fiscal year ended June 30, 2010. 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 (2006) financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 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 financial statements will not be prevented or detected and corrected on a timely basis.

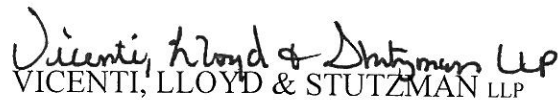
**REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Our consideration of internal control over the Bond Building Fund – Measure R (2006) 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 Rowland Unified School District's fund 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 non-compliance or other matters that are required to be reported under *Government Auditing Standard*.

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

  
VICENTI, LLOYD & STUTZMAN LLP

February 9, 2011

**ROWLAND UNIFIED SCHOOL DISTRICT  
BOND BUILDING FUND – MEASURE R (2006)**

**SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2010**

There were no findings related to the financial audit of the Bond Building Fund – Measure R (2006) for fiscal year ended June 30, 2010. In addition, there were no findings related to the financial audit of the Bond Building Fund – Measure R (2006) for fiscal year ended June 30, 2009.