

ROWLAND UNIFIED SCHOOL DISTRICT

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

Fiscal Year Ending June 30, 2011



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

June 30, 2011

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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 financial statements of the Rowland Unified School District (the District), as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated December 14, 2011. 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 District as of and for the fiscal year ended June 30, 2011. 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 District as of June 30, 2011, 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 14, 2011 on our consideration of the 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
VICENTI, LLOYD & STUTZMAN LLP

December 14, 2011

ROWLAND UNIFIED SCHOOL DISTRICT
BALANCE SHEET
BOND BUILDING FUND - MEASURE R (2006)
June 30, 2011

<u>Assets</u>	
Cash in county treasury	\$ 65,210,542
Accounts receivable	<u>213,605</u>
Total Assets	<u><u>\$ 65,424,147</u></u>
<u>Liabilities and Fund Balance</u>	
Liabilities	
Accounts payable	\$ <u>2,676,533</u>
Total Liabilities	<u>2,676,533</u>
Fund Balance	
Restricted	<u>62,747,614</u>
Total Fund Balance	<u>62,747,614</u>
Total Liabilities and Fund Balance	<u><u>\$ 65,424,147</u></u>

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 (2006)

For the Fiscal Year Ended June 30, 2011

Revenues	
Interest and investment income	\$ 942,974
Total Revenues	<u>942,974</u>
Expenditures	
Salaries and benefits	51,376
Supplies	68,995
Services and other operating expenditures	26,750
Capital outlay	<u>13,057,107</u>
Total Expenditures	<u>13,204,228</u>
Net change in fund balance	(12,261,254)
Fund Balance at Beginning of Year	<u>75,008,868</u>
Fund Balance at End of Year	<u>\$ 62,747,614</u>

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 (2006)**

For the Fiscal Year Ended June 30, 2011

	<u>Budget *</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Interest and investment income	\$ 600,000	\$ 942,974	\$ 342,974
Total Revenues	<u>600,000</u>	<u>942,974</u>	<u>342,974</u>
Expenditures			
Salaries and benefits	51,376	51,376	-
Supplies	90,729	68,995	21,734
Services and other operating expenditures	26,750	26,750	-
Capital outlay	<u>17,646,159</u>	<u>13,057,107</u>	<u>4,589,052</u>
Total Expenditures	<u>17,815,014</u>	<u>13,204,228</u>	<u>4,610,786</u>
Net change in fund balance	<u>\$ (17,215,014)</u>	(12,261,254)	<u>\$ 4,953,760</u>
Fund Balance at Beginning of Year		<u>75,008,868</u>	
Fund Balance at End of Year		<u>\$ 62,747,614</u>	

*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, 2011**

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, 2011

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

FUND BALANCE CLASSIFICATION

During the current fiscal year, the District implemented the reporting model required by GASB Statement No. 54. Therefore the governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation are considered restricted. The Bond Building Fund – Measure R (2006) of the District is therefore classified as restricted.

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.

ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

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, 2011, as provided by the pool sponsor, was \$65,221,054.

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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

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, 2011, the repayment schedule is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Current Interest Component</u>	<u>Total</u>
2012	\$ 755,000	\$	\$ 529,850	\$ 1,284,850
2013	795,000		504,813	1,299,813
2014	850,000		483,187	1,333,187
2015	900,000		458,000	1,358,000
2016	925,000		430,625	1,355,625
2017-2021	7,125,000		1,354,375	8,479,375
2022-2026	4,727,816	3,967,577	40,500	8,735,893
2027-2031	1,977,047	4,238,976		6,216,023
2032-2036	4,427,607	17,688,474		22,116,081
2037-2041	7,487,467	43,131,358		50,618,825
2042-2043	2,452,612	19,047,388		21,500,000
	<u>\$ 32,422,549</u>	<u>\$ 88,073,773</u>	<u>\$ 3,801,350</u>	<u>\$ 124,297,672</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

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, 2011, the Rowland Unified School District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$25 million to be funded through bond proceeds.

NOTE 6 – SUBSEQUENT EVENTS:

The District sold \$25,000,000 General Obligation Bonds, 2006 Election, Series D and \$557,451 General Obligation Bonds, 2006 Election, Series E on July 8, 2011. The bonds were sold with an interest rate of 3.85% to 5.10% and mature in 2027. The bonds were sold to finance the construction, renovation and improvement of school facilities.

**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**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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

December 14, 2011

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

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011**

There were no findings related to the financial audit of the Bond Building Fund – Measure R (2006) for fiscal year ended June 30, 2011. 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, 2010.