



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 (2006)
FINANCIAL AUDIT**

Fiscal Year Ending June 30, 2012

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 (2006)
FINANCIAL AUDIT

June 30, 2012

CONTENTS

	<u>Page</u>
Independent Auditor’s 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.....	5-9
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	10-11
Schedule of Findings and Responses	12



INDEPENDENT AUDITOR'S 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, 2012, and have issued our report thereon dated December 11, 2012. 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, 2012. 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, 2012, 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 11, 2012 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 reporting 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 11, 2012

ROWLAND UNIFIED SCHOOL DISTRICT
BALANCE SHEET
BOND BUILDING FUND - MEASURE R (2006)
June 30, 2012

Assets

Cash in county treasury	\$ 79,105,432
Accounts receivable	<u>158,699</u>
Total Assets	<u>\$ 79,264,131</u>

Liabilities and Fund Balance

Liabilities

Accounts payable	\$ <u>7,299,230</u>
Total Liabilities	<u>7,299,230</u>

Fund Balance

Restricted	<u>71,964,901</u>
Total Fund Balance	<u>71,964,901</u>
Total Liabilities and Fund Balance	<u>\$ 79,264,131</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, 2012

Revenues	
Interest and investment income	\$ 765,306
Total Revenues	<u>765,306</u>
Expenditures	
Salaries and benefits	152,271
Supplies	239,781
Services and other operating expenditures	246,614
Capital outlay	<u>20,193,729</u>
Total Expenditures	<u>20,832,395</u>
Deficiency of revenues over expenditures	<u>(20,067,089)</u>
Other Financing Sources (Uses)	
Proceeds from sale of bonds	25,557,451
Interfund transfers in	4,116,178
Interfund transfers out	<u>(389,253)</u>
Total Other Financing Sources (Uses)	<u>29,284,376</u>
Net change in fund balance	9,217,287
Fund Balance at Beginning of Year	<u>62,747,614</u>
Fund Balance at End of Year	<u>\$ 71,964,901</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, 2012

	Budget *	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest and investment income	\$ 500,000	\$ 765,306	\$ 265,306
Total Revenues	500,000	765,306	265,306
Expenditures			
Salaries and benefits	152,272	152,271	1
Supplies	239,781	239,781	-
Services and other operating expenditures	246,614	246,614	-
Capital outlay	49,231,610	20,193,729	29,037,881
Total Expenditures	49,870,277	20,832,395	29,037,882
Deficiency of revenues over expenditures	(49,370,277)	(20,067,089)	29,303,188
Other Financing Sources (Uses)			
Proceeds from sale of bonds		25,557,451	25,557,451
Interfund transfers in		4,116,178	4,116,178
Interfund transfers out	(389,253)	(389,253)	-
Total Other Financing Sources (Uses)	(389,253)	29,284,376	29,673,629
Net change in fund balance	\$ (49,759,530)	9,217,287	\$ 58,976,817
Fund Balance at Beginning of Year		62,747,614	
Fund Balance at End of Year		\$ 71,964,901	

*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 FINANCIAL STATEMENTS
June 30, 2012**

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 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 FINANCIAL STATEMENTS
June 30, 2012**

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

FUND BALANCE CLASSIFICATION

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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 FINANCIAL STATEMENTS
June 30, 2012**

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 unamortized 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, 2012, as provided by the pool sponsor, was \$79,202,852.

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. The County investment pool is not required to be rated. 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).

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 4 – BONDED DEBT:

On June 6, 2006, the voters approved the issuance of bonds (2006 Measure R Election), not to exceed \$118,000,000 for the construction, renovation and improvement of school facilities. The District has issued bonds of \$48,000,000 (Series A) on August 23, 2006, \$32,422,549 (Series B) and \$12,000,000 (Series C) on October 26, 2009, and \$25,000,000 (Series D) and \$557,451 (Series E) on July 8, 2011.

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 elected to treat the Series D Bonds as Qualified School Construction Bonds (QSCB) which makes the District eligible for a cash subsidy payment from the United States Treasury for the entire interest payable on the Series D Bonds.

The District will deposit both cash subsidy payments with the County to be credited to the Bond Interest and Redemption Fund. Cash subsidy payments are expected to be received contemporaneously with each interest payment date.

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

The outstanding general obligation bonds of the Measure R (2006) bonds at June 30, 2012 are:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2011</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2012</u>
8/23/2006 A	4.0-5.0%	8/1/2031	\$ 48,000,000	\$ 42,400,000	\$	\$ 135,000	\$ 42,265,000
10/26/2009 B	2.5-5.25%	8/1/2042	32,422,549	32,422,549		755,000	31,667,549
10/26/2009 C	6.95%	8/1/2034	12,000,000	12,000,000			12,000,000
7/8/2011 D	5.1%	2/1/2027	25,000,000		25,000,000		25,000,000
7/8/2011 E	3.85%	2/1/2023	557,451		557,451		557,451
			<u>\$ 117,980,000</u>	<u>\$ 86,822,549</u>	<u>\$ 25,557,451</u>	<u>\$ 890,000</u>	<u>\$ 111,490,000</u>

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 4 – BONDED DEBT: (continued)

The annual requirements to amortize all Measure R (2006) bonds payable, outstanding as of June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest	Federal Subsidy	Total
2013	\$ 2,120,000	\$ 4,728,900	\$	\$ (1,566,900)	\$ 5,282,000
2014	2,375,000	4,639,675		(1,510,800)	5,503,875
2015	2,650,000	4,537,562		(1,450,875)	5,736,687
2016	2,850,000	4,421,437		(1,387,125)	5,884,312
2017	3,310,000	4,282,812		(1,319,250)	6,273,562
2018-2022	22,365,000	18,546,698		(5,483,700)	35,427,998
2023-2027	27,025,765	12,729,912	5,177,079	(3,133,575)	41,799,181
2028-2032	23,718,731	6,985,500	3,953,205	(1,459,500)	33,197,936
2033-2037	16,742,147	1,216,250	24,655,064	(559,475)	42,053,986
2038-2042	7,154,082		44,717,700		51,871,782
2043	1,179,275		9,570,725		10,750,000
	<u>\$ 111,490,000</u>	<u>\$ 62,088,746</u>	<u>\$ 88,073,773</u>	<u>\$ (17,871,200)</u>	<u>\$ 243,781,319</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 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 financial statements of the District.

NOTE 5 – PURCHASE COMMITMENTS:

As of June 30, 2012, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$37.5 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' 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 (the District) as of and for the fiscal year ended June 30, 2012. 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

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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.

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.

**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 Standards*.

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, 11 2012

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

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012**

There were no findings related to the financial audit of the Bond Building Fund – Measure R (2006) for fiscal year ended June 30, 2012. 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, 2011.