

**ROWLAND UNIFIED SCHOOL DISTRICT**

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

**Fiscal Year Ending June 30, 2013**



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

**June 30, 2013**

**CONTENTS**

	<u>Page</u>
<b>Independent Auditor’s Report.....</b>	<b>1-2</b>
<b>Balance Sheet.....</b>	<b>3</b>
<b>Statement of Revenues, Expenditures and Change in Fund Balance .....</b>	<b>4</b>
<b>Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual.....</b>	<b>5</b>
<b>Notes to Financial Statements.....</b>	<b>6-10</b>
<b>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.....</b>	<b>11-12</b>
<b>Schedule of Findings and Responses .....</b>	<b>13</b>



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

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, 2013, and have issued our report thereon dated December 4, 2013. We have also audited the accompanying financial statements of the Bond Building Fund – Measure R (2006) of the District as of and for the fiscal year ended June 30, 2013, 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 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 are free of material misstatement.

An audit involves performing procedures to obtain 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, we consider internal control relevant to the District'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 District'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.

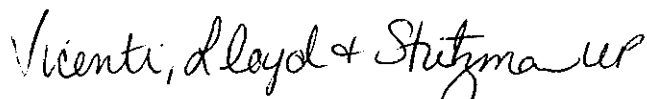
Board of Education  
The Citizens' Bond Oversight Committee  
Rowland Unified School District

## **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 R (2006) of the District as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013 on our consideration of the District's internal control over the Bond Building Fund – Measure R (2006) 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 control over the Bond Building Fund – Measure R (2006) financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rowland Unified School District's internal control over the Bond Building Fund – Measure R (2006) financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
December 4, 2013

**ROWLAND UNIFIED SCHOOL DISTRICT**  
**BALANCE SHEET**  
**BOND BUILDING FUND - MEASURE R (2006)**  
**June 30, 2013**

**Assets**

Cash in county treasury	\$ 54,361,619
Accounts receivable	<u>143,186</u>
<b>Total Assets</b>	<b><u>\$ 54,504,805</u></b>

**Liabilities and Fund Balance**

**Liabilities**

Accounts payable	\$ <u>4,560,691</u>
<b>Total Liabilities</b>	<b><u>4,560,691</u></b>

**Fund Balance**

Restricted	<u>49,944,114</u>
<b>Total Fund Balance</b>	<b><u>49,944,114</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 54,504,805</u></b>

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, 2013**

<b>Revenues</b>	
Interest and investment income	\$ 403,492
<b>Total Revenues</b>	<u>403,492</u>
<b>Expenditures</b>	
Salaries and benefits	96,378
Supplies	183,384
Services and other operating expenditures	9,423
Capital outlay	<u>23,516,093</u>
<b>Total Expenditures</b>	<u>23,805,278</u>
Deficiency of revenues over expenditures	<u>(23,401,786)</u>
<b>Other Financing Sources</b>	
Interfund transfers in	<u>1,380,999</u>
<b>Total Other Financing Sources</b>	<u>1,380,999</u>
Net change in fund balance	(22,020,787)
Fund Balance at Beginning of Year	<u>71,964,901</u>
Fund Balance at End of Year	<u>\$ 49,944,114</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, 2013**

	<b>Budget *</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Interest and investment income	\$ 525,000	\$ 403,492	\$ (121,508)
<b>Total Revenues</b>	525,000	403,492	(121,508)
<b>Expenditures</b>			
Salaries and benefits	96,379	96,378	1
Supplies	183,385	183,384	1
Services and other operating expenditures	9,424	9,423	1
Capital outlay	47,677,923	23,516,093	24,161,830
<b>Total Expenditures</b>	47,967,111	23,805,278	24,161,833
Deficiency of revenues over expenditures	(47,442,111)	(23,401,786)	24,040,325
<b>Other Financing Sources</b>			
Interfund transfers in	1,380,999	1,380,999	-
<b>Total Other Financing Sources</b>	1,380,999	1,380,999	-
Net change in fund balance	\$ (46,061,112)	(22,020,787)	\$ 24,040,325
Fund Balance at Beginning of Year		71,964,901	
Fund Balance at End of Year		\$ 49,944,114	

\*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, 2013**

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

**ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in conformity with U.S. 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 titled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.



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

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

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

**FUND BALANCE CLASSIFICATION**

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 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, 2013**

**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, 2013, as provided by the pool sponsor, was \$54,209,625 as based upon the District's pro-rata share of the fair value for the entire portfolio (in relation to the amortized cost of the portfolio).

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, 2013**

**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, 2013 are:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2012</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2013</u>
8/23/2006 A	4.0-5.0%	8/1/2031	\$ 48,000,000	\$ 42,265,000	\$	\$ 225,000	\$ 42,040,000
10/26/2009 B	2.5-5.25%	8/1/2042	32,422,549	31,667,549		795,000	30,872,549
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		1,100,000	23,900,000
7/8/2011 E	3.85%	2/1/2023	557,451	557,451			557,451
			<u>\$ 117,980,000</u>	<u>\$ 111,490,000</u>	<u>\$ -</u>	<u>\$ 2,120,000</u>	<u>\$ 109,370,000</u>

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

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 4 – BONDED DEBT: (continued)**

The annual requirements to amortize all Measure R (2006) bonds payable, outstanding as of June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest	Federal Subsidy	Total
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	3,675,000	4,121,337		(1,248,150)	6,548,187
2019-2023	25,147,451	17,390,898		(5,066,775)	37,471,574
2024-2028	24,736,958	11,569,750	6,633,435	(2,594,250)	40,345,893
2029-2033	23,476,974	5,840,375	5,688,371	(1,435,175)	33,570,545
2034-2038	14,375,541	556,000	29,758,841	(291,900)	44,398,482
2039-2043	6,773,076		45,993,126		52,766,202
	<u>\$ 109,370,000</u>	<u>\$ 57,359,846</u>	<u>\$ 88,073,773</u>	<u>\$ (16,304,300)</u>	<u>\$ 238,499,319</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 in the basic financial statements of the District.

**NOTE 5 – PURCHASE COMMITMENTS:**

As of June 30, 2013, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$25.4 million to be funded through bond proceeds.



**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***

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's Bond Building Fund – Measure R (2006) basic financial statements, and have issued our report thereon dated December 4, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over the Bond Building Fund – Measure R (2006) financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. 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 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.

**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***

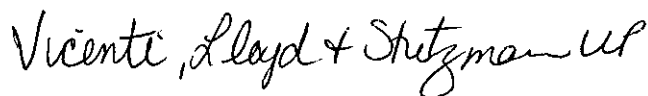
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Bond Building Fund – Measure R (2006) 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
December 4, 2013

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

**SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2013**

There were no findings related to the financial audit of the Bond Building Fund – Measure R (2006) for the fiscal years ended June 30, 2013 and June 30, 2012.