

ROWLAND UNIFIED SCHOOL DISTRICT

LOS ANGELES COUNTY

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE**

June 30, 2014



ROWLAND UNIFIED SCHOOL DISTRICT

**AUDIT REPORT
June 30, 2014**

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June 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Rowland Unified School District
1830 Nogales Street
Rowland Heights, CA 91748

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rowland Unified School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic 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 opinions 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, the auditor considers 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 opinions.

Opinions

In our opinion, the financial statements listed in the aforementioned table of contents present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of post employment healthcare benefits funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedules and combining non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of the District.

Board of Education
Rowland Unified School District

The supplementary section, including the schedule of expenditures of federal awards, and the combining non-major fund financial statements, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014 on our consideration of the District's internal control over 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 financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 8, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended
June 30, 2014

Rowland Unified School District

**MANAGEMENT'S DISCUSSION
AND ANALYSIS (MD&A)**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended
June 30, 2014**

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended
June 30, 2014

INTRODUCTION

The Rowland Unified School District's vision is, "To promote, expect and accept nothing short of excellence. We have a collective commitment to be the best school district in California."

The Management's Discussion and Analysis of Rowland Unified School District's financial statements provide an overall review of the District's financial activities for the fiscal year ended June 30, 2014. This analysis will look at Rowland District's financial performance as a whole. The management discussion and analysis should be reviewed in conjunction with the auditor's transmittal letter, notes to the basic financial statements and the basic governmental wide financial statements to enhance the understanding of Rowland District's financial performance.

The Rowland Unified School District is a large suburban unified school district offering instruction to students from kindergarten through twelfth grade including programs for vocational and adult education.

USING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

- The Comprehensive Annual Financial Report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can first understand the Rowland District as a whole and then have an increasingly detailed view of specific financial activities.
- The Management's Discussion and Analysis is provided to assist our citizens, taxpayers and investors in reviewing the District's finances, and to show the Rowland District's accountability for the money it receives.

DISTRICT HIGHLIGHTS

- The State has implemented a Local Control Funding Formula (LCFF), which divides funds a District receives into "Base" funding as well as Supplemental & Concentration funding (S&C). The S&C funding must be directed to and spent specifically on providing additional services for English Learners, students utilizing the Free and Reduced Meals Program (FRMP) and Foster Youth. This formula continues in its endeavor to close the funding gap between today's level of funding and the 2007-08 funding levels adjusted for inflation. It has been indicated by the state that it's desire is to completely close the gap by 2020-21.
- The Rowland Unified School District continues to experience declining enrollment. The Local Control Funding Formula (LCFF) has generated some additional funding, which has slightly increased both Base as well as Supplemental & Concentration funding.
- The District will continue to maintain its Grades K-3 Class size reduction program at a ratio of 22 K-3 students per teacher.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended
June 30, 2014

- The District continues to aggressively pursue an accelerated schedule for its modernization and construction projects. This schedule is intended to quickly return the District to its pre-established timelines and avoid further delays.
- Rowland Unified School District continued to maintain a sound financial condition in 2013-14. District wide operations remain stable, although General Fund expenditures increased in 2013-14. While the District's First Interim Report for 2014-15 reflects an erosion in the District's General Fund ending balance, the District remains confident that actions can, and will be taken in the 2015-16 budget development process will reverse this trend.

FINANCIAL HIGHLIGHTS

- The Assembly Bill (AB) 110 (Chapter 20/Statutes 2013) and the subsequent trailer legislation adopted the Local Control Fund formula (LCFF) which replaced the former Revenue Limit as well as the vast majority of State categorical programs and will provide both unrestricted and restricted funds for the district to use in implementing its Local Control Accountability Plan (LCAP).
- The total Local Control Funding Formula (LCFF) funding sources for 2013-14 were \$102.9 million of which \$5.6 million was "Gap" funding at 12%.
- General Fund ending fund balance is \$49.3 million of which \$22.06 million is restricted general fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended
June 30, 2014

REPORTING THE DISTRICT AS A WHOLE

▪ **THE STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The *Summary of Statement of Net Position* and the *Summary of Statement of Activities* (page v) report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to an accounting method used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Rowland District's net position and changes in them. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. Readers will need to consider financial, economic and other non-financial factors in arriving at their conclusions regarding the overall health of the District. Non-financial factors include the state's political climate, current legislation, student enrollment, and facility conditions. Economic factors include the housing market, cost of credit, interest rates, unemployment rates and State tax revenue sources.

The single largest on-going financial factor in any public school district budget is employee compensation. Compensation includes salary, health and welfare benefits, and statutory benefits. In 2013-14, employees received a 4% salary increase and \$1,200 Health & Welfare Benefits cap increase for classified employees (CSEA) and there were adjustments for step and column.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended
June 30, 2014

Summary of Statement of Net Position	<u>2013-14</u>	<u>2012-13</u>
Non-capital Assets	\$ 229,661,075	\$ 196,699,791
Capital Assets	<u>220,796,784</u>	<u>197,700,754</u>
Total Assets	<u>450,457,859</u>	<u>394,400,545</u>
Current Liabilities (including short-term portion of long-term debt)	38,819,644	27,254,482
Long Term Liabilities	<u>228,599,532</u>	<u>180,494,881</u>
Total Liabilities	<u>267,419,176</u>	<u>207,749,363</u>
Net Position Invested in Capital Assets	84,361,366	80,750,968
Net Position Legally Restricted	44,656,375	39,197,831
Net Position Unrestricted	<u>54,020,942</u>	<u>66,702,383</u>
Total Net Position	<u>\$ 183,038,683</u>	<u>\$ 186,651,182</u>
Summary of Statement of Activities		
Program Revenues		
Charges for Services	\$ 1,212,185	\$ 861,059
Operating Grants and Contributions	47,165,989	50,323,291
Capital Grants and Contributions	<u>422,913</u>	<u>7,323,302</u>
Total Program Revenues	48,801,087	58,507,652
General Revenues	<u>124,697,455</u>	<u>113,938,058</u>
Total Revenues	<u>173,498,542</u>	<u>172,445,710</u>
Expenses for Instruction and Related Services	103,115,880	99,601,818
Pupil Services	16,653,931	15,689,720
Community services	319,835	334,386
General Administration	8,832,499	7,095,163
Plant Services	12,583,506	11,983,537
Other Outgo	19,567,716	16,253,285
Debt Service	9,663,626	8,746,860
Depreciation	<u>6,374,048</u>	<u>5,567,520</u>
Total Expenses	<u>177,111,041</u>	<u>165,272,289</u>
Change in Net Position	<u>(3,612,499)</u>	<u>7,173,421</u>
Net Position, Beginning of Year, as Originally Stated	186,651,182	181,004,339
Cummulative Effect of Change in Accounting Principle	<u>-</u>	<u>(1,526,578)</u>
Net Position, Beginning of Year, After Cumulative Effect	<u>186,651,182</u>	<u>179,477,761</u>
Net Position, Ending	<u>\$ 183,038,683</u>	<u>\$ 186,651,182</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended
June 30, 2014

The data for the two years reflect significant changes due to the factors previously cited.

- Total net position decreased by 1.94%
- Total revenue increased by 0.6%
- Total expenses increased by 7.16%

■ **FUND FINANCIAL STATEMENTS**

The fund financial statements provide detailed information about the Rowland District's most significant funds, not the Rowland District as a whole. Some funds are required to be established by State statute, while many other funds are established by the Rowland District to help manage money for particular purposes and for compliance with various grant provisions. The Rowland District's three types of funds--governmental, proprietary, and fiduciary--use different accounting approaches, as further described in the notes to the financial statements (see page 13).

■ ***GOVERNMENTAL FUNDS***

Most of the Rowland District's activities are reported in governmental fund statements, which focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending in future periods. These funds are reported using an accounting method called modified accrual. Governmental fund statements provide a detailed short-term view of the Rowland District's general government operations and the basic services it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources available to spend in the near future to finance the Rowland District's programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds is reconciled in schedules included in the financial statements (see page 4 and 6).

Governmental funds include funds of the Rowland District such as General, Debt Service, Building, Capital Projects, and County School Facilities funds. Revenue sources for the Governmental Funds are summarized below and reflect the high level of dependence the Rowland District has on the State budget process and related allocations. As noted, \$13.4 million of the revenue from Pass-Through Revenues from Other State and Federal Sources reflects the revenue of the Puente Hills SELPA. For the purpose of year-to-year comparisons and other calculations, these revenues are not combined with other revenues in the following chart.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended
June 30, 2014

Revenue - Governmental Funds	Amount	% of Total
Local Control Funding Formula Sources	\$ 102,886,765	45.7%
Federal Sources	21,257,110	9.4%
Other State Sources	30,054,392	13.3%
Other Local Sources	18,348,496	8.2%
Net Proceeds from sale and refunding of bonds	52,774,555	23.4%
Total Including Pass-Through Revenues	225,321,318	100.0%
Pass-Through Revenue from Other Federal Sources	(3,756,914)	
Pass-Through Revenues from Other State Sources	(9,701,844)	
Total Less Pass-Through Revenues	211,862,560	
Other Financing Sources - Transfer In	1,988,784	
Total Revenues and Other Financing Sources	\$ 213,851,344	

Governmental Fund Expenditures and Uses are summarized below. As would be expected, instruction and instruction-related expenditures comprise 50.9% of all the expenditures in these funds. Although we show the pass-through of the SELPA funds, we do not include them for year-to-year comparison purposes and other calculations.

Expenditures - Governmental Funds	Amount	% of Total
Instruction	\$ 81,758,032	41.3%
Instruction - Related Services	19,108,789	9.6%
Pupil Services	18,354,624	9.3%
Community Services	319,481	0.2%
General Administration	8,076,233	4.1%
Plant Services	41,198,335	20.8%
Other Outgo	15,151,990	7.6%
Debt Service	14,163,570	7.1%
Total Less Transfers of Pass-Through Revenues	198,131,054	100.0%
Transfer of Pass-Through Revenues	(13,458,759)	
Total Including Transfer of Pass-Through Revenues	184,672,295	
Other Financing Uses - Interfund Transfer Out	1,988,784	
Total Expenditures and Other Financing Uses	\$ 186,661,079	

Total revenues and sources exceeded total expenditures and uses by \$27.2 million. Detailed statements for these funds can be found beginning on page 5.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended
June 30, 2014

▪ ***PROPRIETARY FUNDS***

Proprietary funds use the same basis of accounting as business-type activities. The Rowland District's only proprietary fund is the internal service fund used to account for the medical programs of employees in the Self-Insurance sub-fund and for retirees in the Other Postemployment Benefits sub-fund.

For the 2013-14 fiscal years, this fund had revenues of \$12.2 million and expenses of \$12.5 million. Additional details of this fund are shown beginning on page 8.

▪ ***FIDUCIARY FUNDS***

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Rowland District's own programs. The Rowland District's fiduciary activities are reported in separate statements of fiduciary net position. The Rowland District is the trustee, or fiduciary, for its student activity funds. The Rowland District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

▪ **NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. Notes to the basic financial statements begin on page 12.

GENERAL FUND BUDGET INFORMATION

The Rowland District's budget is prepared in accordance with California law and is based on a modified accrual method of accounting. This type of accounting recognizes receivables as well as payables. The most significant budgeted fund is the General Fund.

The Rowland District begins the budget process in January each year, to be completed by June 30. After updating the forecast for changes in revenue and expenditure assumptions, the operating budget begins at the school level. Each school in the Rowland District receives a per-pupil allocation that is augmented with resources for special education students. With employee compensation being the largest component of the budget, the majority of salaries and benefits are budgeted centrally at the District Office, in accordance with the approved staffing ratios. The departments then receive the remainder of funds to bring the budget into balance. The site and department budgets are reviewed periodically during the year to ensure that management becomes aware of any significant variations.

MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Fiscal Year Ended
 June 30, 2014

GENERAL FUND BUDGET VARIATIONS

In June each year, a budget effective July 1 through June 30 is adopted by the Rowland District Board of Education. The budget is based on year-end projections from the previous year's budget, adjusted by any known changes, as well as forecasts from the Governor's proposed state budget. As the school year progresses, the budget is revised and updated, with numerous financial reports outlining these revisions being made available to the public. Finally, in August of the following year, the books are closed for the July 1 - June 30 fiscal year, and the results are audited, yielding actual final numbers.

There are several reasons for budget revisions. The original budget does not presume salary increases. Any changes in the number of staff and/or staff utilization of health and welfare benefits that vary from the original projections would also yield budget revisions. New grants and entitlements, as well as changes in levels of funding, also generate budget revisions.

The implementation of new instructional programs can also affect budget projections. For the Rowland District, the increased emphasis on closing the achievement gap for all of our students will push forward several academic-focused programs that will impact expenditures in personnel, instructional materials, outside services and supplies.

Finally, State and Federal budget issues have an impact on the District's budget. As revenues from these two sources wax and wane, so do District revenues, since roughly 98% of the District's General Fund revenues come from LCFF revenue source and other State and Federal revenue streams.

The final actual numbers of the General Fund that will be certified by January 30 of the next year will reflect the culmination of these several factors.

The net difference in fund balances between the 2013-14 final budget and the actual numbers was a net positive variance of \$4.1 million and may be summarized as follows:

	Final to Actual Favorable
General Fund Variance	<u>(Unfavorable)</u>
Revenues	\$ (1,793,043)
Expenditures	<u>5,921,986</u>
Net Positive Variance	<u>\$ 4,128,943</u>

Additional details can be found on page 48.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended
June 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The Governmental Accounting Standards Board Statement No. 34 (GASB 34) requires that governmental agencies account for fixed assets in the same way that private and public corporations do. This involves recognizing the value of the agency's fixed assets, such as, land, building and equipment in the fixed asset section of the balance sheet. Districts must now track annual and accumulated depreciation on major assets.

As of June 30, 2013, the District had \$ 198 million invested in net capital assets, primarily related to school construction and other capital improvements. This has increased to \$ 221 million as of June 30, 2014. Significant progress on our construction projects increased our net capital assets by \$ 23.1 million or 11.6%

Note 12 to the financial statements provides additional information on capital assets.

	Balance	Balance
	June 30, 2014	June 30, 2013
Land	\$ 4,168,993	\$ 4,168,993
Buildings and improvements	262,050,668	236,694,055
Equipment and vehicles	8,852,403	8,647,830
Construction in progress	<u>25,573,783</u>	<u>23,010,253</u>
Totals at historical cost	<u>300,645,847</u>	<u>272,521,131</u>
Less: accumulated depreciation for		
Buildings and improvements	73,798,145	68,026,935
Equipment and vehicles	<u>6,050,918</u>	<u>6,793,442</u>
Total accumulated depreciation	<u>79,849,063</u>	<u>74,820,377</u>
Governmental capital assets, net	<u>\$220,796,784</u>	<u>\$197,700,754</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended
June 30, 2014

DEBT

The District debt increased during the current year. In addition, the District continues to accrue the liability for other post-employment benefits as required by Governmental Accounting Standards Board (GASB) Statement No. 45. Additional information regarding the valuation of the liability is described in Note 14 to the financial statements. In January 2014 the District's bond rating changed from A2 to Aa2.

Note 11 to the financial statements provides a summary of the Rowland District's outstanding long-term liabilities.

	<u>Balance</u> <u>June 30, 2014</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Change %</u>
Compensated Absences	\$ 864,505	\$ 892,242	-3%
OPEB	4,094,304	3,720,880	10%
Early Retirement Incentive	330,000	570,000	-42%
Golden handshake	2,145,505		
Financing Lease Agreement	242,528	713,412	-66%
Qualified Zone Academy Bond (QZAB)	5,000,000	5,000,000	0%
General Obligation Bonds, including accreted interest	219,145,362	172,186,831	27%
Bond Premium	6,679,739	2,573,250	160%
	<u>\$ 238,501,943</u>	<u>\$ 185,656,615</u>	28%

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended

June 30, 2014

FOR THE FUTURE

Rowland District is financially sound, but the outlook will be challenging due to increased employees' compensation costs and declining enrollment, which will have a significant impact and the increase in contributions to restricted programs. The District's fiscal team continuously monitors information, data and forecasts of the State's economy, revenue, and budgetary proposals. District planners use this information to make decisions that maintain the financial stability of the District.

The District's systems of budgeting and internal controls are well-regarded and will be used to meet the District's future financial challenges.

- **CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGER**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Rowland District's finances and to show the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Mr. Barry Dragon, Interim Assistant Superintendent, Administrative Services Division, Rowland Unified School District, 1830 S. Nogales Street, Rowland Heights, CA 91748.

FINANCIAL SECTION

ROWLAND UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash in county treasury	\$ 197,961,964
Cash in revolving fund	50,000
Accounts receivable:	
Federal and state governments	25,340,695
Miscellaneous	1,902,476
Inventories	304,418
Prepaid expenses	81,649
Investments with fiscal agent - restricted	4,019,873
Land	4,168,993
Work in progress	25,573,783
Depreciable assets, net	<u>191,054,008</u>
Total Assets	<u>450,457,859</u>
<u>Liabilities</u>	
Accounts payable and other current liabilities	24,880,269
Accrued interest	3,779,168
Unearned revenue	257,796
Current portion of long-term liabilities	
Compensated absences	200,000
Early retirement incentive	240,000
Golden handshake	306,501
Financing lease agreement	242,528
General obligation bonds, net of accreted interest and premium	8,913,382
Non-current portion of long-term liabilities	
Compensated absences	664,505
Other postemployment benefit obligation (OPEB)	4,094,304
Early retirement incentive	90,000
Golden handshake	1,839,004
Qualified Zone Academy Bond (QZAB)	5,000,000
General obligation bonds, net of accreted interest and premium	<u>216,911,719</u>
Total Liabilities	<u>267,419,176</u>
<u>Net Position</u>	
Invested in Capital Assets, Net of Related Debt	84,361,366
Restricted for:	
Debt Service	11,072,015
Capital Projects	6,139,346
Educational Programs	27,445,014
Unrestricted	<u>54,020,942</u>
Total Net Position	<u>\$ 183,038,683</u>

See the accompanying notes to the financial statements.

ROWLAND UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					Governmental Activities
Instruction	\$ 84,175,779	\$ 87,483	\$ 19,484,136	\$	\$ (64,604,160)
Instruction-related services	18,940,101	7,005	4,327,642		(14,605,454)
Pupil services	16,653,931	992,959	10,061,493		(5,599,479)
Community services	319,835	47	71,470		(248,318)
General administration	8,832,499	49,579	1,133,718		(7,649,202)
Plant services	12,583,506	9,803	1,670,301	422,913	(10,480,489)
Other outgo	19,567,716	65,309	10,417,229		(9,085,178)
Debt Service - interest	9,663,626				(9,663,626)
Depreciation (unallocated)	6,374,048				(6,374,048)
Total Governmental Activities	\$ 177,111,041	\$ 1,212,185	\$ 47,165,989	\$ 422,913	(128,309,954)
General Revenues:					
Property taxes levied for:					
General purposes					15,925,754
Debt service					14,139,313
Other specific purposes					151,350
Federal and state aid not restricted to specific purposes					90,378,184
Interest and investment earnings					1,427,103
Miscellaneous					2,675,751
Total General Revenues					124,697,455
Change in net position					(3,612,499)
Net Position at Beginning of Year					186,651,182
Net Position at End of Year					\$ 183,038,683

See the accompanying notes to the financial statements.

ROWLAND UNIFIED SCHOOL DISTRICT

BALANCE SHEET- GOVERNMENTAL FUNDS

June 30, 2014

	<u>General Fund</u>	<u>Special Education Pass-Through Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash in county treasury	\$ 41,151,733	\$	\$ 94,762,865	\$ 43,019,209	\$ 178,933,807
Cash in revolving fund	50,000				50,000
Accounts receivable:					
Federal and state governments	19,551,670	3,932,542		1,856,483	25,340,695
Miscellaneous	678,030		352,947	120,784	1,151,761
Inventories	246,509			57,909	304,418
Prepaid expenditures	9,063				9,063
Total Assets	<u>\$ 61,687,005</u>	<u>\$ 3,932,542</u>	<u>\$ 95,115,812</u>	<u>\$ 45,054,385</u>	<u>\$ 205,789,744</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 12,125,718	\$ 3,932,542	\$ 4,503,474	\$ 4,289,404	\$ 24,851,138
Unearned revenue	252,796			5,000	257,796
Total Liabilities	<u>12,378,514</u>	<u>3,932,542</u>	<u>4,503,474</u>	<u>4,294,404</u>	<u>25,108,934</u>
Fund Balances					
Nonspendable	305,572			57,909	363,481
Restricted	22,051,439		90,612,338	25,668,085	138,331,862
Committed				4,644,314	4,644,314
Assigned	8,395,210			10,389,673	18,784,883
Unassigned	18,556,270				18,556,270
Total Fund Balances	<u>49,308,491</u>	<u>-</u>	<u>90,612,338</u>	<u>40,759,981</u>	<u>180,680,810</u>
Total Liabilities and Fund Balances	<u>\$ 61,687,005</u>	<u>\$ 3,932,542</u>	<u>\$ 95,115,812</u>	<u>\$ 45,054,385</u>	<u>\$ 205,789,744</u>

See the accompanying notes to the financial statements.

ROWLAND UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014

Total fund balance - governmental funds \$ 180,680,810

Amounts reported for governmental funds in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. These assets consist of:

Land	\$ 4,168,993	
Work in progress	25,573,783	
Depreciable assets, net	<u>191,054,008</u>	
Total capital assets, net		220,796,784

Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Compensated absences	(864,505)	
Other postemployment benefits other than pensions (OPEB)	(4,094,304)	
Early retirement incentive	(330,000)	
Golden Handshake	(2,145,505)	
Financing lease agreement	(242,528)	
Qualified Zone Academy Bond (QZAB)	(5,000,000)	
General obligation bonds payable	(219,145,362)	
General obligation bonds premium	<u>(6,679,739)</u>	
Total long-term liabilities		(238,501,943)

Investments are held by the trustees in a sinking fund and pledged as collateral to secure Qualified Zone Academy Bonds 4,019,873

Internal service funds are used by the District's management to charge the cost of the health and welfare insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 19,106,308

Interest expense related to general obligation bonds payable was incurred but not accrued as of June 30, 2014. (3,779,168)

Property taxes receivable related to debt service were incurred but not accrued as of June 30, 2014. 716,019

Total net position - governmental activities \$ 183,038,683

See the accompanying notes to the financial statements.

ROWLAND UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

	<u>General Fund</u>	<u>Special Education Pass- Through Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Local control funding formula sources:					
State apportionments	\$ 87,405,962	\$	\$	\$	\$ 87,405,962
Local sources	<u>15,480,803</u>				<u>15,480,803</u>
Total local control funding formula sources	102,886,765	-	-	-	102,886,765
Federal sources	9,571,255	3,756,914		7,928,941	21,257,110
Other state sources	18,482,945	9,701,844		1,869,603	30,054,392
Other local sources	<u>2,092,278</u>		<u>646,895</u>	<u>15,609,323</u>	<u>18,348,496</u>
Total Revenues	<u>133,033,243</u>	<u>13,458,758</u>	<u>646,895</u>	<u>25,407,867</u>	<u>172,546,763</u>
Expenditures					
Instruction	81,152,488			605,544	81,758,032
Instruction - related services	18,238,792			869,997	19,108,789
Pupil services	10,319,839			8,034,785	18,354,624
Community services	319,481				319,481
General administration	7,692,969			383,264	8,076,233
Plant services	13,107,229		19,729,626	8,361,480	41,198,335
Other outgo	1,693,231	13,458,759			15,151,990
Debt service	<u>494,758</u>			<u>13,668,812</u>	<u>14,163,570</u>
Total Expenditures	<u>133,018,787</u>	<u>13,458,759</u>	<u>19,729,626</u>	<u>31,923,882</u>	<u>198,131,054</u>
Excess (deficiency) of revenues over expenditures	<u>14,456</u>	<u>(1)</u>	<u>(19,082,731)</u>	<u>(6,516,015)</u>	<u>(25,584,291)</u>
Other Financing Sources (Uses)					
Interfund transfers in				1,988,784	1,988,784
Proceeds from the sale of general obligation bonds			50,000,000		50,000,000
Proceeds from refunding bonds				33,930,726	33,930,726
Deposit to escrow account				(31,156,171)	(31,156,171)
Interfund transfers out	<u>(1,988,784)</u>				<u>(1,988,784)</u>
Total Other Financing Sources (Uses)	<u>(1,988,784)</u>	<u>-</u>	<u>50,000,000</u>	<u>4,763,339</u>	<u>52,774,555</u>
Net change in fund balance	(1,974,328)	(1)	30,917,269	(1,752,676)	27,190,264
Fund Balance at Beginning of Year	<u>51,282,819</u>	<u>1</u>	<u>59,695,069</u>	<u>42,512,657</u>	<u>153,490,546</u>
Fund Balance at End of Year	<u>\$ 49,308,491</u>	<u>\$ -</u>	<u>\$ 90,612,338</u>	<u>\$ 40,759,981</u>	<u>\$ 180,680,810</u>

See the accompanying notes to the financial statements.

ROWLAND UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014**

Net change in fund balance-total governmental funds \$ 27,190,264

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense.

Capital outlay, net	\$ 29,966,058	
Depreciation expense	<u>(6,374,048)</u>	
Excess of capital outlay over depreciation expense		23,592,010

Governmental funds report the proceeds from the disposal of capital assets as revenue. In the statement of activities, only the resulting gain or loss is reported.

Net loss on disposal of assets		(495,980)
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Issuance of long-term debt is reported as proceeds in governmental funds but increases long-term debt in the statement of net position:

General obligation bonds	50,000,000	
General obligation refunding bonds	33,930,726	
Golden handshake	<u>2,440,543</u>	
		(86,371,269)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General obligation bond principal payments	34,655,850	
Financing lease agreement principal payments	470,884	
Golden handshake	<u>295,038</u>	
Total long-term debt payments		35,421,772

Internal service funds are used by the District to charge the costs of the health and welfare insurance program to the individual funds. The net decrease in net position of the internal service fund is reported with governmental activities.

(131,948)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Net increase in interest earned on sinking fund	191,235	
Net decrease in taxes receivable -- debt service	(242,320)	
Net increase in accrued interest expense	(630,432)	
Net increase in post employment benefits other than pensions (OPEB)	(373,424)	
Net decrease in compensated absences	27,737	
Accreted interest on general obligation bonds	(2,099,381)	
Amortization of premium on general obligation bonds	<u>309,237</u>	
Total other activity		<u>(2,817,348)</u>

Change in net position of governmental activities \$ (3,612,499)

See the accompanying notes to the financial statements.

ROWLAND UNIFIED SCHOOL DISTRICT

**STATEMENT OF FUND NET POSITION
PROPRIETARY FUND**

June 30, 2014

	Governmental Activities
	Internal Service Fund
<u>Assets</u>	
Cash in county treasury	\$ 19,028,157
Accounts receivable:	
Miscellaneous	34,696
Prepaid expense	<u>72,586</u>
Total Assets	<u>19,135,439</u>
<u>Liabilities</u>	
Accounts payable	<u>29,131</u>
Total Liabilities	<u>29,131</u>
<u>Net Position</u>	
Unrestricted	<u>19,106,308</u>
Total Net Position	<u>\$ 19,106,308</u>

See the accompanying notes to the financial statements.

ROWLAND UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES
AND CHANGE IN FUND NET POSITION
PROPRIETARY FUND**

For the Fiscal Year Ended June 30, 2014

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Operating Revenues	
In-District contributions	\$ 12,176,824
Other local revenue	64,044
Total Operating Revenues	<u>12,240,868</u>
Operating Expenses	
Salaries	223,281
Benefits	78,016
Other supplies	16,188
Other services	6,085
Payments for health and welfare premiums	12,126,062
Total Operating Expenses	<u>12,449,632</u>
Operating loss	<u>(208,764)</u>
Non-Operating Revenues	
Interest income	76,816
Total Non-Operating Revenues	<u>76,816</u>
Change in net position	(131,948)
Net Position at Beginning of Year	<u>19,238,256</u>
Net Position at End of Year	<u>\$ 19,106,308</u>

See the accompanying notes to the financial statements.

ROWLAND UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2014

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Cash Flows from Operating Activities	
Cash received from premiums and other revenues	\$ 12,240,868
Cash paid for claims and operating expenses	<u>(12,451,616)</u>
Net cash used by operating activities	<u>(210,748)</u>
Cash Flows from Investing Activities	
Interest income	<u>61,017</u>
Net cash provided by investing activities	<u>61,017</u>
Net decrease in cash	(149,731)
Cash - July 1, 2013	<u>19,177,888</u>
Cash - June 30, 2014	<u>\$ 19,028,157</u>
Adjustments to Reconcile Operating Loss to <u>Net Cash Used by Operating Activities</u>	
Operating Loss	\$ (208,764)
Adjustments to reconcile operating loss to net cash Used by operating activities:	
Increase in prepaid expenses	(4,754)
Increase in accounts payable	<u>2,770</u>
Net cash used by operating activities	<u>\$ (210,748)</u>

See the accompanying notes to the financial statements.

ROWLAND UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2014

	<u>Associated Student Body Funds</u>
<u>Assets</u>	
Cash on hand and in banks	\$ 1,074,887
Accounts receivable:	
Miscellaneous	18,577
Inventories	<u>47,884</u>
Total Assets	<u><u>1,141,348</u></u>
 <u>Liabilities</u>	
Accounts payable	29,373
Funds held in trust	<u>680,909</u>
Total Liabilities	<u><u>710,282</u></u>
 <u>Net Position</u>	
Unrestricted	<u>431,066</u>
Total Net Position	<u><u>\$ 431,066</u></u>

See the accompanying notes to the financial statements.

ROWLAND UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION

For the Fiscal Year Ended June 30, 2014

	Associated Student Body Funds
Additions	
Revenue from local sources	\$ 454,345
Total Additions	<u>454,345</u>
Deductions	
Services and other operating expenses	<u>447,650</u>
Total Deductions	<u>447,650</u>
Change in net position	6,695
Net Position at Beginning of Year	<u>424,371</u>
Net Position at End of Year	<u>\$ 431,066</u>

See the accompanying notes to the financial statements.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*, updated to conform to the most current financial and reporting requirements promulgated by the California Department of Education. The accounting policies of the District conform to generally accepted accounting principles (GAAP) and the accounting guidance provided by the American Institute of Certified Public Accountants.

The significant accounting policies applicable to the District are described below.

A. BASIS OF PRESENTATION:

The accompanying financial statements have been prepared in conformity with GAAP as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective enhances the fund-group perspective previously required. Fiduciary activities are excluded from the basic financial statements and are reported separately in the fiduciary fund statements.

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements.

1. Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities displays information about the District as a whole. These statements include the financial activities of the primary government. Governmental activities of proprietary funds are blended with governmental activities. Fiduciary funds are excluded.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

A. BASIS OF PRESENTATION: (continued)

1. Government-wide Financial Statements: (continued)

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District. Depreciation and interest expense have not been allocated to specific functions.

2. Fund Financial Statements:

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary and proprietary funds are reported by type.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

A. BASIS OF PRESENTATION: (continued)

2. Fund Financial Statements: (continued)

The fund financial statement expenditures are presented in a function-oriented format. The following is a brief description of the functions:

Instruction – includes the activities directly dealing with the interaction between teachers and students.

Instruction-related services – includes supervision of instruction, instructional library, media and technology, and school site administration.

Pupil services – includes home to school transportation, food services and other pupil services.

Community services – includes activities that provide services to community participants other than students.

General administration – includes data processing services and all other general administration services.

Plant services – includes activities of maintaining the physical plant. This also includes facilities acquisition and construction expenditures.

Other outgo – includes transfers to other agencies including the pass through of special education funding as the administrative unit of the Puente Hills SELPA.

Debt service – includes principal and interest payments for long-term debt.

The proprietary and fiduciary fund expenditures are presented by natural classification.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

B. FUND ACCOUNTING:

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

The Statement of Revenues, Expenditures, and Changes in Fund Balances are statements of financial activities of the particular fund related to the current reporting period. Expenditures of the various funds 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. The modified accrual basis of accounting is used for all governmental funds.

GOVERNMENTAL FUNDS - MAJOR

General Fund - the general operating fund of the District is used to account for all financial resources except those required to be accounted for in another fund.

Special Education Pass-Through Fund – used by the Administrative Unit of the Puente Hills SELPA to account for Special Education revenue passed through to other member Local Education Agency (LEA) entities.

Building Fund – used to record the proceeds from general obligation bonds and the expenditures for the repair, construction and modernization of the District's school facilities.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

B. FUND ACCOUNTING: (continued)

GOVERNMENTAL FUNDS – NON-MAJOR

Special Revenue Funds – used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

1. Adult Education Fund – used to account for resources committed to adult education programs maintained by the District. This fund no longer meets the definition of a special revenue fund as it is no longer primarily composed of restricted or committed revenue sources. Because the District has taken formal action to commit revenues to these programs for the continued operation of the original program, the fund now meets the requirements to be reported as a Special Revenue fund.
2. Child Development Fund – used to account for resources committed to child development programs.
3. Cafeteria Fund – used to account for revenues received and expenditures made to operate the District's cafeterias.
4. Deferred Maintenance Fund – used for the purpose of major repair or replacement of District property. This fund no longer meets the definition of a special revenue fund as it is no longer primarily composed of restricted or committed revenue sources. Because the District has taken formal action to commit revenues to these programs for the continued operation of the original program, the fund now meets the requirements to be reported as a Special Revenue fund.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

B. FUND ACCOUNTING: (continued)

GOVERNMENTAL FUNDS – NON-MAJOR (continued)

Capital Projects Funds – used to account for the financial resources that are restricted, committed or assigned for the acquisition and/or construction of major governmental general fixed assets.

1. Capital Facilities Fund – used to account for resources received from residential and commercial developer impact fees.
2. County School Facilities Fund – used to account for the School Facility Program grants award for modernization and new construction of various school sites.
3. Special Reserve Fund for Capital Projects – used to account for specific board-approved capital expenditures.

Debt Service Funds – used to account for the financial resources that are restricted, committed or assigned and the accumulation of resources for, the payment of general long-term debt principal, interest, and related costs.

1. Bond Interest and Redemption Fund – used to account for the payment of principal and interest on general obligation bonds.
2. Tax Override Fund – used to account for the repayment of voted indebtedness tax levies (other than bond interest and redemption fund payments) to be financed from AdValorem Tax Levies. There is no longer any debt outstanding related to this fund.

PROPRIETARY FUNDS

Internal Service Fund – used to account for services rendered on a cost-reimbursement basis within the District. The District's Internal Service Fund is a consolidation of two sub-funds:

1. Self-Insurance Sub-Fund – used to account for resources committed to the District's medical program, and the current and future payments of employee health and welfare benefits to commercial insurance vendors. The District's liability is limited to the premiums paid.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

B. FUND ACCOUNTING: (continued)

PROPRIETARY FUNDS (continued)

2. Other Postemployment Benefits Sub-Fund – used to account for resources committed to the current and future payments of retiree health and welfare benefits.

FIDUCIARY FUNDS

Associated Student Body Funds – used to account for raising and expending money to promote the general welfare, morale and educational experiences of the student body. The District operates six organized associated student body funds as well as unorganized associated student body funds at the elementary schools.

AGENCY ACTIVITIES

The District operates a warrant pass-through fund as a holding account for amounts collected from employees for federal taxes, state taxes and other contributions. The District had cash in the County Treasury amounting to \$764,526 on June 30, 2014, which represents withholdings payable.

C. BASIS OF ACCOUNTING:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. Revenues in governmental fund financial statements are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING: (continued)

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County treasury is recorded at cost, which approximates fair value.

2. Receivables

Receivables are generally recorded when the amount is earned and can be estimated. All material receivables are considered fully collectible. Per Education Code Section 33128.1, a local education agency may recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year. The District has recognized receivables in accordance with this standard, the most notable being for the final P-2 apportionment.

3. Inventories

Inventories are presented at the cost on an average basis and are expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2014, the inventory for supplies is \$246,509. The inventory for food is \$57,909.

4. Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which goods or services are consumed.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING: (continued)

5. Capital Assets

Generally, capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Statement of Net Position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined by GASB. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	40 years
Equipment	5-20 years
Vehicles	6-15 years

Depreciation expense reported on the government-wide statement of activities excludes direct depreciation expense recorded to functions where applicable.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING: (continued)

6. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

7. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave, therefore accumulated employer sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

8. Long-Term Obligations

The District reports long-term debt of governmental funds at face value in the government-wide financial statements. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING: (continued)

8. Long-Term Obligations (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

9. 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. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: 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.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING: (continued)

9. Fund Balance Classification (continued)

Committed: Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Education. These amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same formal action (vote or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Education, through a formal action has given authority to the Assistant Superintendent Administrative Services to assign amounts for a specific purpose that is neither restricted nor committed.

Unassigned: The residual fund balance for the General Fund and all other spendable amounts.

10. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. Net position is reported as restricted when there are limitations imposed on use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING: (continued)

11. Spending Order Policy

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District's policy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment functions.

12. Minimum Fund Balance Policy:

The District does not have a written minimum fund balance policy. To protect against revenue shortfalls and unexpected one-time expenditures, the District has maintained a Reserve for Economic Uncertainties consisting of unassigned amounts equivalent to 3% of budgeted General Fund expenditures and other financing uses. These amounts represent the minimum recommended reserve consistent with the Criteria and Standards for fiscal solvency adopted by the State Board of Education.

13. State Apportionments

Certain current year apportionments from the State are based upon various financial and statistical information of the previous year. Second period to annual corrections for revenue limits and other state apportionments (either positive or negative) are accrued at the end of the fiscal year. See note 1 C 2.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING: (continued)

14. Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31.

Real and personal property tax revenues are reported in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. A receivable has not been recognized in the General Fund for property taxes due to the fact that any receivable is offset by a payable to the State for revenue limit purposes. Property taxes receivable for debt service purposes have been accrued in the government-wide financial statements.

15. On-Behalf Payments

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all school districts in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. The amount of on-behalf payments made for the District is estimated at \$3,529,000 for STRS.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

C. BASIS OF ACCOUNTING: (continued)

16. Contributed Services

Generally accepted accounting principles require that contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are to be recorded at fair value in the period received. Although the District receives numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the District based on the above guidelines. In addition, the District receives donations of immaterial equipment and supplies which are not recorded upon receipt.

17. Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from nonoperating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as self-insurance premiums. Nonoperating revenues include activities that have the characteristics of nonexchange transactions that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

18. 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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

D. REPORTING ENTITY:

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*.

The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

D. REPORTING ENTITY: (continued)

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
2. The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the following potential component units have been excluded from the District's reporting entity:

The Friends of Rowland Unified Schools Foundation - The Foundation is a separate not-for-profit corporation. The Board of Directors are elected by the Foundation's Board and independent of any District Board of Education appointments. The Board is responsible for approving its own budget and accounting and finance related activities. The organization was evaluated using the three criterion listed above. The entity has been excluded as a component unit because the third criterion was not met; the economic resources received and held by the Foundation are not significant to the District. Separate financial statements for the Foundation may be obtained through the District.

Various PTA, PTO and Booster Clubs – Each of these types of organizations at each of the school sites within the District were evaluated using the three criterion listed above. Each entity has been excluded as a component unit because the third criterion was not met in all cases; the economic resources received and held by the PTA, PTO and the Booster Clubs individually are not significant to the District.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 2 - BUDGETS:

By state law, the District's Governing Board must approve a budget no later than July 1, using the Single Adoption Budget process. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with GAAP.

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. The original and final revised budget for the General Fund is presented in a budgetary comparison schedule in the required supplementary section.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

NOTE 3 - DEPOSITS AND INVESTMENTS:

A. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2014, \$1,299,564 of the District's bank balance of \$1,716,644 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	<u>\$1,299,564</u>
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B. 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 deposits in this pool as of June 30, 2014, as provided by the pool sponsor, was \$197,408,416.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS: (continued)

B. Cash in County (continued)

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, except for the Tax Override fund, in which case interest earned is credited to the General Fund. Any investment losses are proportionately shared by all funds in the pool.

C. Investments – Restricted

Restricted non-current investments consist of amount held in the Rowland Unified School District sinking fund (the “Sinking Fund”) as collateral as described in Note 7. Amounts in the Sinking Fund are invested in accordance with the Sinking Fund Forward Delivery Agreement.

Investments at June 30, 2014 are presented below:

<u>Investment</u>	<u>Maturities</u>	Rating Standard & Poor’s/ <u>Moody’s</u>	Fair <u>Value</u>
U.S. Commercial Paper	12/31/2014	Not rated	<u>\$4,019,873</u>

The investments are reported at fair value on the government-wide financial statements.

Interest Rate Risk

The Sinking Fund Forward Delivery Agreement limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maximum maturity of any single issue is 180 days for commercial paper and maturity before June 29, 2021 for other eligible securities.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS: (continued)

C. Investments – Restricted (continued)

Concentration of Credit Risk

The Sinking Fund Forward Delivery Agreement plans no limit on the amount that may be invested in direct federal government obligations, Federal Agency or government-sponsored enterprises, or commercial paper. All of the District's investments are in commercial paper which are not guaranteed or secured.

NOTE 4 - INTERFUND TRANSACTIONS:

Interfund activity has been eliminated in the government-wide statements. Activity between governmental funds and agency funds are reported on the government-wide statements and the fund statements.

The following transactions are also reported in the fund financial statements.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers between governmental funds for the 2013-14 fiscal year are as follows:

Transfer from General Fund to Adult Education Fund to move Local Control Funding Formula – Adult Education monies.	\$ 1,349,873
Transfer from General Fund to Deferred Maintenance Fund to move Deferred Maintenance Local Control Funding Formula monies to Deferred Maintenance Fund	<u>638,911</u> <u>\$ 1,988,784</u>

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 5 - FUND BALANCES:

The following amounts were nonspendable, restricted, committed, assigned or unassigned as shown below:

	<u>General Fund</u>	<u>Special Education Pass- Through Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable					
Revolving cash	\$ 50,000	\$	\$	\$	\$ 50,000
Inventories	246,509			57,909	304,418
Prepaid expense	<u>9,063</u>				<u>9,063</u>
Total nonspendable	<u>305,572</u>	<u>-</u>	<u>-</u>	<u>57,909</u>	<u>363,481</u>
Restricted					
Legally restricted programs	22,051,439			20	22,051,459
Cafeteria program				5,393,555	5,393,555
Capital projects			90,612,338	6,139,346	96,751,684
Debt service				<u>14,135,164</u>	<u>14,135,164</u>
Total restricted	<u>22,051,439</u>	<u>-</u>	<u>90,612,338</u>	<u>25,668,085</u>	<u>138,331,862</u>
Committed					
Adult education program				1,783,114	1,783,114
Deferred maintenance program				<u>2,861,200</u>	<u>2,861,200</u>
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,644,314</u>	<u>4,644,314</u>
Assigned					
School reserves and restorations	1,013,788				1,013,788
Tier III flexibility programs	6,524,831				6,524,831
SBX3_4 transfers	856,591				856,591
Special reserve for capital outlay				10,165,895	10,165,895
Child development program				8,822	8,822
Cafeteria program				<u>214,956</u>	<u>214,956</u>
Total assigned	<u>8,395,210</u>	<u>-</u>	<u>-</u>	<u>10,389,673</u>	<u>18,784,883</u>
Unassigned					
Economic uncertainties	4,026,002				4,026,002
Deficit Offset	<u>14,530,268</u>				<u>14,530,268</u>
Total unassigned	<u>18,556,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,556,270</u>
Total fund balance	<u>\$ 49,308,491</u>	<u>\$ -</u>	<u>\$ 90,612,338</u>	<u>\$ 40,759,981</u>	<u>\$ 180,680,810</u>

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 6 - LEASES:

In November 2004, the District entered into an agreement with the Public Property Financing Corporation of California for the acquisition and installation of additional capital energy efficiency improvements (the Kinetics Project) and to refinance a Master Equipment Lease/Purchase Agreement dated October 1, 2003 between the District, Bank of America Leasing and Capital LLC. Future minimum lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Lease Payment</u>
2015	\$247,379
Less Amount Representing Interest	<u>(4,851)</u>
Present Value of Net Minimum Lease Payments	<u>\$242,528</u>

NOTE 7 - QUALIFIED ZONE ACADEMY BOND (QZAB):

The District obtained an interest free Qualified Zone Academy Bond (QZAB) on June 29, 2005 in the amount of \$5,000,000 for the purpose of acquiring equipment and making improvements to various school sites. The QZAB will mature on June 29, 2021.

The terms of the agreement are such that the District deposited \$2,931,708 into a sinking fund held with U.S. Bank, (the Custodian), at the time of closing. The deposit and interest earned will be held by the Custodian as collateral until the payment of the debt on the maturity date. The funds on deposit with the Custodian will be invested such that the original deposit and interest earned is projected to be sufficient to repay the debt in full upon maturity. The amount of \$4,019,873 on deposit in the sinking fund is reported as a restricted investment on the government-wide statement of net position.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 8 - GENERAL OBLIGATION BONDS:

A. 2000 Election

On June 6, 2000, the voters approved the issuance of bonds (2000 Election), not to exceed \$70,000,000 for the repair, construction and modernization of District's school facilities. The District has issued bonds of \$29,999,562 (Series A) on September 1, 2000 and \$39,999,075 (Series B) on July 22, 2003.

On July 1, 2005 the District offered for sale \$21,641,739 in general obligation, current interest, refunding bonds through the simultaneous issuance of \$21,765,000 bonds by Golden West Schools Financing Authority (the Authority). The District and the Authority entered in to an Optional Redemption Rights Purchase and Bond Exchange Agreement (the Agreement) dated July 1, 2005 under which the District agreed to sell to the Authority its rights to optionally redeem certain outstanding Series A general obligation bonds of the District. The District received \$801,408 under the Agreement to be used to finance additional capital improvements to the educational facilities of the District.

Capital appreciation bonds were issued as part of Series A and B with maturity dates from September 1, 2014 through August 1, 2025. Prior to the applicable maturity dates, each bond will accrete interest on the principal component. Accreted interest accrued and included in the long term debt schedule at June 30, 2014 is \$4,439,724.

On September 25, 2013 the District offered for sale \$29,515,000 in general obligation bonds, current interest, refunding bonds. The bonds were issued to refund a portion of the outstanding amount of the District's General Obligation Bonds, Election of 2000, Series B.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 8 - GENERAL OBLIGATION BONDS: (continued)

A. 2000 Election (continued)

The outstanding general obligation bonds of Rowland Unified School District at June 30, 2014 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2013</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2014</u>
9/1/2000 A	3.9-7.25%	9/1/2018	\$ 29,999,562	\$ 2,514,562	\$	\$	\$ 2,514,562
7/22/2003 B	3.25-5.56%	8/1/2028	39,999,075	39,499,075		30,780,000	8,719,075
7/1/2005 *	3.5-5.25%	9/1/2024	21,641,739	12,323,442		1,500,850	10,822,592
9/25/2013 *	2.5-5.0%	8/1/2027	29,515,000	-	29,515,000		29,515,000
				<u>\$ 54,337,079</u>	<u>\$ 29,515,000</u>	<u>\$ 32,280,850</u>	<u>\$ 51,571,229</u>

(*) Refunding bonds

The annual requirements to amortize all 2000 Election bonds payable, outstanding as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>	<u>Total</u>
2015	\$ 2,029,294	\$ 2,146,269	\$ 834,088	\$ 5,009,651
2016	1,722,064	2,156,980	933,332	4,812,376
2017	1,848,289	2,164,338	1,015,772	5,028,399
2018	1,968,959	2,161,303	1,125,338	5,255,600
2019	2,199,117	2,157,300	1,131,908	5,488,325
2020-2024	15,442,859	15,580,203	-	31,023,062
2025-2029	<u>26,360,647</u>	<u>6,027,028</u>	<u>2,235,925</u>	<u>34,623,600</u>
	<u>\$ 51,571,229</u>	<u>\$ 32,393,421</u>	<u>\$ 7,276,363</u>	<u>\$ 91,241,013</u>

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the shortest life of the new or refunded liability. The refunding bonds included a premium of \$2,029,957 that is amortized using the straight-line method. Amortization of \$110,058 was recognized during the 2013-14 year.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 8 - GENERAL OBLIGATION BONDS: (continued)

B. 2006 Election

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 accrued and included in the long term debt schedule at June 30, 2014 is \$6,139,409.

The outstanding general obligation bonds of the District at June 30, 2014 are:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2013</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2014</u>
8/23/2006 A	4.0-5.0%	8/1/2031	\$ 48,000,000	\$ 42,040,000	\$	\$ 350,000	\$ 41,690,000
10/26/2009 B	2.5-5.25%	8/1/2042	32,422,549	30,872,549		850,000	30,022,549
10/26/2009 C	6.95%	8/1/2034	12,000,000	12,000,000			12,000,000
7/8/2011 D	5.10%	2/1/2027	25,000,000	23,900,000		1,175,000	22,725,000
7/8/2011 E	3.85%	2/1/2023	557,451	557,451			557,451
				<u>\$109,370,000</u>	<u>\$ -</u>	<u>\$2,375,000</u>	<u>\$ 106,995,000</u>

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 8 - GENERAL OBLIGATION BONDS: (continued)

B. 2006 Election (continued)

The annual requirements to amortize all 2006 Election bonds payable, outstanding as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>	<u>Federal Subsidy</u>	<u>Total</u>
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	4,025,000	3,935,737		(1,172,925)	6,787,812
2020-2024	24,645,583	16,202,336	1,876,868	(4,628,175)	38,096,612
2025-2029	25,013,826	10,447,325	4,756,567	(2,151,825)	38,065,893
2030-2034	24,427,169	4,632,625	8,497,196	(1,337,875)	36,219,115
2035-2039	11,155,127	139,000	35,746,437	(97,300)	46,943,264
2040-2043	5,243,295		37,196,705		42,440,000
	<u>\$ 106,995,000</u>	<u>\$ 52,720,171</u>	<u>\$ 88,073,773</u>	<u>\$ (14,793,500)</u>	<u>\$ 232,995,444</u>

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The bonds included premiums of \$3,366,934 and are amortized using the straight-line method. Amortization of \$126,281 was recognized during the 2013-14 year.

C. 2012 Election

On November 6, 2012, the voters approved the issuance of bonds (2012 Measure R Election), not to exceed \$158,000,000 for the purpose of financing the renovation, construction and improvement of school facilities. The district issued the first bonds of \$50,000,000 (Series A) on July 23, 2013.

The outstanding general obligation bonds of the District at June 30, 2014 are:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2013</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2014</u>
7/23/2013 A	4 0-5 0%	8/1/2043	\$ 50,000,000	\$ -	\$ 50,000,000	\$ -	\$ 50,000,000
				<u>\$ -</u>	<u>\$ 50,000,000</u>	<u>\$ -</u>	<u>\$ 50,000,000</u>

ROWLAND UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 8 - GENERAL OBLIGATION BONDS: (continued)

C. 2012 Election (continued)

The annual requirement to amortize all 2012 election bonds payable, outstanding as of June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 3,400,000	\$ 2,370,050	\$ 5,770,050
2016	2,220,000	2,257,650	4,477,650
2017	2,445,000	2,169,350	4,614,350
2018	640,000	2,109,450	2,749,450
2019	425,000	2,082,825	2,507,825
2020-2024	915,000	10,271,225	11,186,225
2025-2029	2,205,000	9,960,625	12,165,625
2030-2034	5,150,000	9,111,250	14,261,250
2035-2039	11,600,000	7,073,750	18,673,750
2040-2044	21,000,000	3,136,613	24,136,613
	\$ 50,000,000	\$ 50,542,788	\$ 100,542,788

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The bond included premiums of \$2,385,769 and are amortized using the straight-line method. Amortization of \$72,898 was recognized during the 2013-14 year.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 9 – EARLY RETIREMENT INCENTIVE:

The District adopted an Early Retirement Incentive in February 2011 and February 2012. Eligible employees that retired at June 30, 2011 and June 30, 2012, respectively, are provided the choice of a one-time payment of \$15,000 or a payment of \$20,000 paid over four years in the amount of \$5,000 annually. Thirty and twenty-two employees, respectively, that met the requirements of each plan have chosen to participate in the plan. The District's liability for future payments at June 30, 2014 are as follows:

Year Ending June 30,	Payment Amount
2015	\$ 240,000
2016	90,000
	<u>\$ 330,000</u>

NOTE 10 – EARLY RETIREMENT INCENTIVE PROGRAM–GOLDEN HANDSHAKE

The District adopted an early retirement incentive program, pursuant to Education Code Section 22714 and 44929, whereby the service credit to eligible employees is increased by two years. The period of participation was from June 1 – July 31, 2013 and a total of forty-two employees participated at a cost to the District of \$2,440,543. Twenty-nine employees retired as of June 30, 2013 and the remaining thirteen retired as of July 1, 2013. The District elected an 8 year installment plan with an originally stated interest rate of 7.50%. The interest and principal amount paid under the plan during the year ending June 30, 2014 was \$505,415. Future payments as of June 30, 2014 are:

Year Ending June 30,	Principal Amount
2015	\$ 306,501
2016	306,501
2017	306,501
2018	306,501
2019	306,501
2020-2021	613,000
	<u>\$ 2,145,505</u>

The incentive will have an estimated net savings of \$8 million over a four year period. See page 60 for additional information.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 11 - LONG-TERM DEBT – SCHEDULE OF CHANGES:

A schedule of changes in long-term debt for the year ended June 30, 2014 is shown below:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Amount Due</u> <u>in One Year</u>
Compensated absences	\$ 892,242	\$	\$ 27,737	\$ 864,505	\$ 200,000
Other postemployment benefit obligation (OPEB)	3,720,880	373,424		4,094,304	
Early retirement incentive	570,000		240,000	330,000	240,000
Golden handshake	-	2,440,543	295,038	2,145,505	306,501
Financing lease agreement	713,412		470,884	242,528	242,528
Qualified Zone Academy Bond (QZAB)	5,000,000			5,000,000	
General obligation bonds, including accreted interest	172,186,831	81,614,381	34,655,850	219,145,362	8,913,382
General obligation bonds premium	2,573,250	4,415,726	309,237	6,679,739	
	<u>\$ 185,656,615</u>	<u>\$ 88,844,074</u>	<u>\$ 35,998,746</u>	<u>\$ 238,501,943</u>	<u>\$ 9,902,411</u>

For governmental activities, compensated absences, net OPEB obligations, early retirement incentive and golden handshake are liquidated by the General Fund. The financing lease agreement is liquidated by both the General Fund and the Adult Education Fund. The general obligation bonds are liquidated through property tax collection as administered by the County through the Bond Interest and Redemption Fund

NOTE 12 - CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES:

Capital asset activity for the year ended June 30, 2014 is shown below.

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 4,168,993	\$	\$	\$ 4,168,993
Work in progress	23,010,253	27,277,477	(24,713,947)	25,573,783
Total capital assets not being depreciated	<u>27,179,246</u>	<u>27,277,477</u>	<u>(24,713,947)</u>	<u>29,742,776</u>
Capital assets being depreciated:				
Buildings and improvements	236,694,055	25,356,613		262,050,668
Equipment	8,647,830	2,045,915	(1,841,342)	8,852,403
Total capital assets being depreciated	<u>245,341,885</u>	<u>27,402,528</u>	<u>(1,841,342)</u>	<u>270,903,071</u>
Less accumulated depreciation for:				
Buildings and improvements	68,026,935	5,771,210		73,798,145
Equipment	6,793,442	602,838	(1,345,362)	6,050,918
Total accumulated depreciation	<u>74,820,377</u>	<u>6,374,048</u>	<u>(1,345,362)</u>	<u>79,849,063</u>
Governmental activities capital assets, net	<u>\$ 197,700,754</u>	<u>\$ 48,305,957</u>	<u>\$ (25,209,927)</u>	<u>\$ 220,796,784</u>

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 13 - EMPLOYEE RETIREMENT PLANS:

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Public Employees' Retirement System (PERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 13 - EMPLOYEE RETIREMENT PLANS: (continued)

Public Employees' Retirement System (PERS) (continued)

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-14 was 11.442% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Contributions to STRS and PERS

The District's contributions to STRS and PERS for each of the last three fiscal years is as follows:

Year Ended June 30,	STRS		PERS	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2012	\$ 5,241,497	100%	\$ 2,300,450	100%
2013	5,257,664	100%	2,480,372	100%
2014	5,381,327	100%	2,483,087	100%

NOTE 14 - POSTEMPLOYMENT HEALTH BENEFITS:

Plan Description

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides health, dental and vision benefits to all full-time Certificated, Administrative and Classified employees who have reached age 55 and retire with at least 10 years of service. Retiree benefits terminate after five years or on the June 30th of the fiscal year during which the retiree reaches age 65, whichever occurs first. Benefit provisions are established through negotiations between the District and the bargaining unions representing employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a separate financial report.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 14 - POSTEMPLOYMENT HEALTH BENEFITS: (continued)

Funding Policy

The District currently finances benefits on a pay-as-you-go basis. The District contributes 100 percent up to a monthly cap of \$8,730 for all retirees of the cost of current year premiums for eligible retired plan members. For fiscal year ended 2014, the District contributed \$1,293,761 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation:

Annual required contribution (ARC)	\$1,689,238
Interest on net OPEB obligation	167,440
Adjustment to annual required contribution	<u>(189,493)</u>
Annual OPEB cost (expense)	1,667,185
Contributions made	<u>(1,293,761)</u>
Change in net OPEB obligation	373,424
Net OPEB obligation - beginning of year	<u>3,720,880</u>
Net OPEB obligation - end of year	<u>\$4,094,304</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation was as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2012	\$ 1,693,008	58.0%	\$ 3,196,104
6/30/2013	1,692,194	69.0%	3,720,880
6/30/2014	1,667,185	77.6%	4,094,304

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 14 - POSTEMPLOYMENT HEALTH BENEFITS: (continued)

Funding Status and Funding Progress

As of December 1, 2014, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$13,968,002. The covered payroll (annual payroll of active employees covered by the plan) was \$78,870,357 and the ratio of the UAAL to the covered payroll was 18%. Although the plan has no segregated assets, the District does maintain an internal service fund to designate resources for retiree health care costs. At June 30, 2014, the fund's designated balance was \$9,714,425.

Actuarial valuations of an ongoing benefit plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of postemployment healthcare benefits funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent with the long-term perspective of the calculations.

In the December 1, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets, if any, and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4.0 percent. Both rates included a 2.75 percent inflation assumption. The initial UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization will expire on June 30, 2037. The remaining UAAL is being amortized as a level percentage of projected payroll on an open basis over a 25 year period.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 15 - JOINT POWERS AGREEMENTS:

The Rowland Unified School District participates in three joint ventures under joint powers agreements (JPAs); The San Gabriel Valley School Districts' Self-Insurance Authority for Workers' Compensation (SGVSIAWC), the La Puente Valley Regional Occupational Program (LPVROP) and the San Gabriel Valley School Districts' Self-Insurance Authority for Liability Protection (SGVSIALP).

The Self-Insurance Authority for Workers' Compensation arranges for and provides self-insurance coverage for Workers' Compensation for member school districts in Los Angeles County. Its governing board consists of one administrator from each district.

The La Puente Valley Regional Occupational Program provides vocational education classes for member school districts in Los Angeles County. Its governing board consists of two board members from each district.

The Self-Insurance Authority for Liability Protection arranges for and provides self-insurance coverage for public liability and property damage. Its governing board consists of one administrator from each district.

Each governing board controls the operations of its JPA independent of any influence by the District beyond the District's representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA except for SGVSIAWC in which case each member is liable for its own claims. Separate financial statements for each JPA may be obtained from the respective entity.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 15 - JOINT POWERS AGREEMENTS: (continued)

The relationships between the District and the JPAs are such that none of the JPAs are a component unit of the District for financial reporting purposes.

Condensed financial information is as follows:

	SGVSIAWC (Audited) <u>June 30, 2013</u>	LPVROP (Audited) <u>June 30, 2013</u>	SGVSIALP (Audited) <u>June 30, 2013</u>
Total Assets	\$ 34,495,862	\$ 7,714,400	\$ 7,083,371
Total Liabilities	<u>32,023,332</u>	<u>429,265</u>	<u>3,381,565</u>
Fund Balance	<u>\$ 2,472,530</u>	<u>\$ 7,285,135</u>	<u>\$ 3,701,806</u>
Total Revenues	\$ 7,901,434	\$ 5,594,706	\$ 2,508,712
Total Expenditures	<u>8,132,464</u>	<u>4,963,773</u>	<u>1,346,923</u>
Net change in Fund Balance	<u>\$ (231,030)</u>	<u>\$ 630,933</u>	<u>\$ 1,161,789</u>

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 16 - COMMITMENTS AND CONTINGENCIES:

A. Litigation

The District is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

B. State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes, including reimbursement of mandated cost that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

C. County School Facilities Fund

The District is currently involved in construction projects funded through the Office of Public School Construction. These projects are subject to future audits by the State, which may result in other adjustments to the fund.

D. Purchase Commitments

As of June 30, 2014, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$23.8 million. Projects will be funded through Bond Proceeds, County School Facilities Grants, State Deferred Maintenance Allocations, Capital Facilities Funds and General Funds.

REQUIRED SUPPLEMENTARY INFORMATION

ROWLAND UNIFIED SCHOOL DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts - General Fund		Actual Amounts
	Original	Final	General Fund
Revenues			
Local control funding formula	\$ 65,167,491	\$ 89,061,082	\$ 87,405,962
Local sources	12,416,099	13,704,936	15,480,803
Total local control funding formula sources	77,583,590	102,766,018	102,886,765
Federal sources	12,051,060	11,937,167	9,571,255
Other state sources	32,762,159	17,991,233	18,482,945
Other local sources	2,130,719	2,131,868	2,092,278
Total Revenues	<u>124,527,528</u>	<u>134,826,286</u>	<u>133,033,243</u>
Expenditures			
Certificated salaries	63,055,974	65,831,874	65,342,981
Classified salaries	22,121,569	23,046,733	22,965,011
Employee benefits	23,109,114	23,692,839	23,550,913
Books and supplies	8,595,080	9,493,707	5,922,425
Services and other operating expenditures	12,693,847	14,045,600	11,794,801
Capital outlay	720,489	922,171	1,637,930
Tuition and other outgo	2,135,957	1,839,597	1,693,231
Direct support-indirect cost	(340,000)	(340,000)	(383,263)
Debt service	494,758	494,758	494,758
Total Expenditures	<u>132,586,788</u>	<u>139,027,279</u>	<u>133,018,787</u>
Excess (deficiency) of revenues over expenditures	<u>(8,059,260)</u>	<u>(4,200,993)</u>	<u>14,456</u>
Other Financing Uses			
Interfund transfers out		(1,902,278)	(1,988,784)
Total Other Financing Uses	<u>-</u>	<u>(1,902,278)</u>	<u>(1,988,784)</u>
Net change in fund balance	<u>\$ (8,059,260)</u>	<u>\$ (6,103,271)</u>	<u>(1,974,328)</u>
Fund Balance at Beginning of Year			<u>51,282,819</u>
Fund Balance at End of Year			<u>\$ 49,308,491</u>

See the accompanying notes to the required supplementary information.

ROWLAND UNIFIED SCHOOL DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON FOR THE SPECIAL EDUCATION PASS-THROUGH FUND
For the Fiscal Year Ended June 30, 2014**

	<u>Budgeted Amounts - Special Education Pass-Through Fund</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Special Education Pass-Through Fund</u>
Revenues			
Federal sources	\$ 7,681,537	\$ 3,970,774	\$ 3,756,914
Other state sources	<u>19,799,681</u>	<u>9,853,822</u>	<u>9,701,844</u>
Total Revenues	<u>27,481,218</u>	<u>13,824,596</u>	<u>13,458,758</u>
Expenditures			
Transfers of Pass-Through Revenues			
To Districts or Charter Schools	<u>27,481,218</u>	<u>13,824,596</u>	<u>13,458,759</u>
Total Expenditures	<u>27,481,218</u>	<u>13,824,596</u>	<u>13,458,759</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(1)
Fund Balance at Beginning of Year			<u>1</u>
Fund Balance at End of Year			<u>\$ -</u>

See the accompanying notes to the required supplementary information.

ROWLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS

For the Fiscal Year Ended June 30, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Unit Cost Method) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
5/1/2010	\$	\$ 18,363,036	\$ 18,363,036	0.0%	\$ 76,265,954	24%
7/1/2012		14,175,573	14,175,573	0.0%	77,722,002	18%
12/1/2014		13,968,002	13,968,002	0.0%	78,870,351	18%

Although the plan has no segregated assets, the District does maintain an internal service fund to designate resources for future retiree health care costs. At June 30, 2014, the funds' designated balance was \$9,714,425.

See the accompanying notes to the required supplementary information.

ROWLAND UNIFIED SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2014**

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Budgetary Comparison for the General Fund and the Special Education Pass-Through Fund

A budgetary comparison is presented for the general fund and any major special revenue fund that has a legally adopted annual budget. This schedule presents the budget as originally adopted, the revised budget as of the fiscal year end, actual amounts at fiscal year end to present the amounts in accordance with generally accepted accounting principles (GAAP).

B. Schedule of Postemployment Healthcare Benefits Funding Progress

The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

Excesses of expenditures over appropriations by major object accounts, occurred as follows:

General Fund	
Capital Outlay	\$715,759
Interfund Transfers Out	86,506

There were not excesses of expenditures over appropriations in the Special Education Pass-Through Fund.

SUPPLEMENTARY INFORMATION

ROWLAND UNIFIED SCHOOL DISTRICT

HISTORY AND ORGANIZATION

June 30, 2014

The Rowland Unified School District began operations as a newly formed district on July 1, 1970, and is comprised of an area of approximately twenty-five square miles located in Los Angeles County. The unification election unified portions of the Rowland School District and the La Puente Union High School District. During the current year, the District maintained eleven elementary schools (K-6), three K-8 schools, two intermediate schools (7-8), three high schools, an adult education program, and a community day school.

The Board of Education and the District Administrators for the fiscal year ended June 30, 2014 were as follows:

BOARD OF EDUCATION

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Mrs. Heidi L. Gallegos	President	November 2015
Mrs. Judy Nieh	Vice President	November 2015
Ms. Angelena Marie Pride	Clerk	November 2017
Mrs. Lynne Ebenkamp	Member	November 2017
Mr. Cary C. Chen	Member	November 2017

DISTRICT ADMINISTRATORS

Mr. Ruben P. Frutos	Superintendent of Schools
Mr. Ajay Mohindra	Interim Assistant Superintendent, Administrative Services
Douglas F. Staine, Ed.D.	Assistant Superintendent – Human Resources Division
Mrs. Teresa Healy	Assistant Superintendent – Educational Services Division
Jeanette Rodriguez-Chien, Ed.D.	Executive Director – Educational Services Division

ROWLAND UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
For the Fiscal Year Ended June 30, 2014**

The requirements governing ADA, admission of pupils, types of schools, recording and reporting of pupil attendance, and similar matters are controlled by provisions of the Education Code and by regulations of the State Department of Education.

ADA statistics reported to the State for the fiscal year ended June 30, 2014 are as follows:

	<u>Revised Second Period</u>	<u>Annual</u>
Grades transitional kindergarten through third		
Regular ADA	4,369	4,369
Extended year special education	11	11
Special education - nonpublic, nonsectarian schools	<u>2</u>	<u>2</u>
Total grades transitional kindergarten through third ADA	<u>4,382</u>	<u>4,382</u>
Grades four through six		
Regular ADA	3,164	3,161
Extended year special education	9	9
Special education - nonpublic, nonsectarian schools	<u>2</u>	<u>2</u>
Total grades four through six ADA	<u>3,175</u>	<u>3,172</u>
Grades seven and eight		
Regular ADA	2,224	2,221
Extended year special education	4	4
Special education - nonpublic, nonsectarian schools	1	1
Community Day School	<u>1</u>	<u>1</u>
Total grades seven and eight ADA	<u>2,230</u>	<u>2,227</u>
Grades nine through twelve		
Regular ADA	4,505	4,475
Extended year special education	27	27
Special education - nonpublic, nonsectarian schools	16	16
Extended year special education - nonpublic, nonsectarian schools	1	1
Community day school	<u>3</u>	<u>4</u>
Total grades nine through twelve ADA	<u>4,552</u>	<u>4,523</u>
Total ADA	<u>14,339</u>	<u>14,304</u>

See the accompanying notes to the supplementary information.

ROWLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Fiscal Year Ended June 30, 2014

<u>Grade Level</u>	<u>2013-14 Minutes</u>			<u>Number of Days Traditional Calendar</u>	<u>Status</u>
	<u>Normal Requirement</u>	<u>Reduced Requirement</u>	<u>Actual Minutes</u>		
Kindergarten	36,000	35,000	45,005	180	In Compliance
Grade 1	50,400	49,000	50,770	180	In Compliance
Grade 2	50,400	49,000	50,770	180	In Compliance
Grade 3	50,400	49,000	50,700	180	In Compliance
Grade 4	54,000	52,500	54,535	180	In Compliance
Grade 5	54,000	52,500	54,535	180	In Compliance
Grade 6	54,000	52,500	54,535	180	In Compliance
Grade 7	54,000	52,500	58,185	180	In Compliance
Grade 8	54,000	52,500	58,185	180	In Compliance
Grade 9	64,800	63,000	72,788	180	In Compliance
Grade 10	64,800	63,000	72,788	180	In Compliance
Grade 11	64,800	63,000	72,788	180	In Compliance
Grade 12	64,800	63,000	72,788	180	In Compliance

See the accompanying notes to the supplementary information.

ROWLAND UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

<u>PROGRAM NAME</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Program Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
Pass-Through the California Department of Education:			
Especially Needy Breakfast Program	10.553	13526	\$ 1,186,243
National School Lunch Program	10.555	13396	4,373,004
Commodities	10.555	13396	462,905
Meal Supplements	10.555	13755	97,075
Summer Feeding Program	10.559	13004	106,570
Total: U.S. Department of Agriculture			<u>6,225,797</u>
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
Pass-Through the California Department of Education			
Adult Education:			
Adult Education- Adult Secondary Education	84.002	13978	100,809
Adult Education- Adult Basic Education and ESL	84.002	14508	149,894
English Literacy and Civics	84.002	14109	61,750
Total Adult Education			<u>312,453</u>
Special Education Cluster:			
Grants to States (IDEA- Local Assistance Part B)	84.027	13379	6,036,763
Preschool Grant	84.173	13430	177,271
Preschool Grant Staff Development	84.173A	13431	1,356
Preschool Local Entitlement	84.027A	13682	355,681
Mental Health Services, Part B	84.027A	14468	372,563
Total Special Education Cluster			<u>6,943,634</u>
Title I, Part A:			
Title I, Part A - Low-Income and Neglected Basic Grants	84.010	14329	3,474,257
Title I, Part A - Low-Income and Neglected Program Improvements	84.010	14955	28,688
Total Title I, Part A			<u>3,502,945</u>
Other Programs			
Title I, Part G - Advanced Placement Test Fee Reimbursement Program	84.330	14831	76,525
Title II, Part A - Improving Teacher Quality	84.367	14341	490,629
Title III - Limited English Proficiency	84.365	10084	590,451
Title X - McKinney-Vento Homeless Assistance	84.196	14332	147,375
Special Education - Early Intervention, Part C	84.181	23761	146,000
Career and Technical Education - Basic Grants to States	84.048	14894	127,454
Total: U.S. Department of Education			<u>12,337,466</u>

See the accompanying notes to the supplementary information.

ROWLAND UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

<u>PROGRAM NAME</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Program Expenditures</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
Pass-Through the California Department of Education:			
Medi-Cal Administrative Activities	93.778	10013	\$ 893,250
Medi-Cal Reimbursement Program	93.778	10013	<u>984,790</u>
			<u>1,878,040</u>
Other Programs			
Affordable Care Act Grants for School-Based Health Centers Capital Program	93.501	(1)	<u>421,122</u>
Total U.S. Department of Health and Human Services			<u>2,299,162</u>
 Total Federal Program Expenditures			 <u>\$ 20,862,425</u>
Reconciliation to Federal Revenue			
Total Federal Program Expenditures			\$ 20,862,425
Municipal bond federal subsidy received but not subject to the Single Audit Act			1,390,691
Expenses in excess of revenues related to the			
Medi-Cal Reimbursement Entitlement Program			(102,756)
Medi-Cal Administrative Activities			<u>(893,250)</u>
Total Federal Program Revenue			<u>\$ 21,257,110</u>

(1) Pass-Through identifying number not readily available or not applicable unless otherwise noted.

Passed Through to Subrecipients

Of the federal expenditures presented in this schedule, the District provided federal awards to the subrecipients as follows:

Special Education - Grants to States (IDEA- Local Assistance Part B)	84.027	13379	\$ 3,409,171
Special Education - Preschool Grant	84.173	13430	94,785
Special Education - Preschool Local Entitlement	84.027A	13682	190,181
Special Education - Early Intervention, Part C	84.181	23761	<u>62,777</u>
Total Amount Provided to Subrecipients			<u>\$ 3,756,914</u>

The District is the recipient of a federal program that does not result in cash receipts or disbursements. The District was granted \$462,905 of commodities under the National School Lunch Program (CFDA# 10.555).

See the accompanying notes to the supplementary information.

ROWLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30,

	<u>(Budget) 2015</u>		<u>2014</u>		<u>2013</u>		<u>2012</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Revenues								
Revenue limit sources/Local								
Control Funding Formula *	\$ 112,957,113	75.7	\$ 102,886,765	76.2	\$ 79,645,075	62.1	\$ 79,225,789	59.7
Federal	9,130,426	6.1	9,571,255	7.1	10,856,182	8.5	16,834,462	12.7
State	14,107,405	9.4	18,482,945	13.7	32,711,916	25.5	33,508,840	25.2
County , local, proceeds, and interfund transfers	<u>2,120,865</u>	<u>1.4</u>	<u>2,092,278</u>	<u>1.5</u>	<u>2,460,038</u>	<u>1.9</u>	<u>3,132,524</u>	<u>2.4</u>
Total Revenues	<u>138,315,809</u>	<u>92.6</u>	<u>133,033,243</u>	<u>98.5</u>	<u>125,673,211</u>	<u>98.0</u>	<u>132,701,615</u>	<u>100.0</u>
Expenditures								
Certificated salaries	69,503,367	46.6	65,342,981	48.4	63,851,624	49.9	63,775,095	48.1
Classified salaries	22,885,973	15.3	22,965,011	17.0	22,133,218	17.3	22,513,623	17.0
Employee benefits	24,608,442	16.5	23,550,913	17.4	23,673,107	18.5	23,461,729	17.7
Books and supplies	13,255,560	8.9	5,922,425	4.4	4,267,620	3.3	6,196,822	4.7
Services and other operating expenses	14,254,587	9.5	11,794,801	8.7	11,465,736	8.9	10,182,420	7.7
Capital outlay	415,075	0.3	1,637,930	1.2	203,782	0.2	292,800	0.2
Tuition and transfers out	2,569,677	1.7	1,693,231	1.3	2,354,543	1.8	1,919,478	1.4
Direct support/indirect costs	(340,000)	(0.2)	(383,263)	(0.3)	(329,662)	(0.3)	(369,162)	(0.3)
Debt service	247,378	0.2	494,758	0.4	558,342	0.4	640,685	0.5
Interfund transfers out	<u>1,902,278</u>	<u>1.3</u>	<u>1,988,784</u>	<u>1.5</u>			<u>4,100,000</u>	<u>3.0</u>
Total Expenditures	<u>149,302,337</u>	<u>100.0</u>	<u>135,007,571</u>	<u>100.0</u>	<u>128,178,310</u>	<u>100.0</u>	<u>132,713,490</u>	<u>100.0</u>
Change in fund balances	<u>(10,986,528)</u>	<u>(7.4)</u>	<u>(1,974,328)</u>	<u>(1.5)</u>	<u>(2,505,099)</u>	<u>(2.0)</u>	<u>(11,875)</u>	<u>-</u>
Ending fund balances	<u>\$ 38,321,963</u>	<u>25.7</u>	<u>\$ 49,308,491</u>	<u>36.5</u>	<u>\$ 51,282,819</u>	<u>40.0</u>	<u>\$ 53,787,918</u>	<u>40.5</u>
Available reserve	<u>\$ 13,243,104</u>	<u>8.9</u>	<u>\$ 18,556,270</u>	<u>13.7</u>	<u>\$ 3,856,000</u>	<u>3.0</u>	<u>\$ 6,200,000</u>	<u>4.7</u>
Recommended reserve percentage		<u>3.0</u>		<u>3.0</u>		<u>3.0</u>		<u>3.0</u>
Average Daily Attendance	<u>13,986</u>		<u>14,339</u>		<u>14,643</u>		<u>15,054</u>	
Total Long-Term Debt	<u>\$ 228,599,532</u>		<u>\$ 238,501,943</u>		<u>\$ 185,656,615</u>		<u>\$ 188,732,569</u>	

IMPORTANT NOTES:

* In 2013-14, the state changed its primary funding method from revenue limit to local control funding formula

Available reserves are those amounts reserved for economic uncertainty, and any other remaining unassigned fund balance from the General Fund

2015 budget is the original budget adopted in June 2014.

All percentages are of total expenditures.

Average daily attendance is for the second period and excludes Adult Education and ROP.

See the accompanying notes to the supplementary information

ROWLAND UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2014**

<u>Charter School</u>	<u>Included in District Audit Report</u>
iQ Academy	No
Rowland Heights Charter Academy	No

See the accompanying notes to the supplementary information.

ROWLAND UNIFIED SCHOOL DISTRICT

**EARLY RETIREMENT INCENTIVE PROGRAM
For the Fiscal Year Ended June 30, 2014**

The District has adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District.

Twenty nine employees retired as of June 30, 2013, and the remaining thirteen retired as of July 1, 2013. See Note 10 for additional information.

Retiree Information

A total of thirteen employees have retired during the 2013-14 fiscal year in exchange for the additional two years of service credit.

Position Vacated	Employee Age	Service Credit	Retired Employee		Replacement Employee (If Applicable)	
			Salary	Benefits	Salary	Benefits
Assistant Superintendent	60	37	\$ 646,560	\$ 137,980	\$ 560,791	\$ 124,313
Principal	59	35	534,868	120,177	416,427	101,298
Teacher	61	35	349,969	89,959		
Learning Director	57	33	434,464	104,172		
Teacher	57	25	343,645	89,695	228,388	71,324
Director	62	33	543,243	121,503		
Principal	59	22	494,991	113,822	402,402	99,063
Assistant Superintendent	64	12	646,570	137,982	603,507	131,037
Teacher	63	25	302,870	83,198	228,388	71,324
Principal	52	30	545,434	121,862	458,640	108,027
Teacher	59	35	349,328	90,604		
Teacher	57	33	349,328	90,604		
Principal	64	23	481,540	111,676	433,511	104,020
Totals			<u>\$ 6,022,810</u>	<u>\$ 1,413,234</u>	<u>\$ 3,332,054</u>	<u>\$ 810,406</u>

Additional Costs

As a result of this early retirement incentive program, the District expects to incur \$1,294,552 in additional costs. The breakdown in additional costs is presented below:

Postretirement Health Benefit Costs	\$ 209,520
Administrative Costs	<u>1,085,032</u>
Total Administrative Costs	<u>\$ 1,294,552</u>

See the accompanying notes to the supplementary information.

ROWLAND UNIFIED SCHOOL DISTRICT

**NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2014**

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Average Daily Attendance (ADA)

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

B. Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

The District met or exceeded its target funding and has received incentive funding for increasing instructional time as provided by the Incentive for Longer Instructional Day.

C. Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs and is presented on the modified accrual basis of accounting.

D. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the annual Financial and Budget Report form to the audited financial statements.

E. Schedule of Financial Trends and Analysis

The *Standards and Procedures for Audits of California K-12 Local Education Agencies* requires that this report be prepared showing financial trends of the General Fund over the past three fiscal years as well as the current year budget. This report is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

ROWLAND UNIFIED SCHOOL DISTRICT

**NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2014**

NOTE 1 - PURPOSE OF SCHEDULES: (continued)

F. Schedule of Charter Schools

The *Standards and Procedures for Audits of California K-12 Local Education Agencies* requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

G. Early Retirement Incentive Program

An early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, was adopted by the District whereby the service credit to eligible employees is increased by two years. This report is intended to fulfill the disclosure requirements of Education Code Section 14502.

OPTIONAL SUPPLEMENTARY INFORMATION

ROWLAND UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

June 30, 2014

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Projects	Bond Interest and Redemption Fund	Tax Override Fund	Total Non-Major Governmental Funds
Assets										
Cash in county treasury	\$ 1,558,462	\$ 153,946	\$ 4,449,391	\$ 2,853,278	\$ 5,238,481	\$ 1,291,658	\$ 13,339,086	\$ 14,061,452	\$ 73,455	\$ 43,019,209
Accounts receivable:										
Federal and state governments	312,453	26,016	1,518,014	7,922	18,404	5,366	67,564		257	1,856,483
Miscellaneous	2,733	574	17,964							120,784
Inventories			57,909							57,909
Total Assets	\$ 1,873,648	\$ 180,536	\$ 6,043,278	\$ 2,861,200	\$ 5,256,885	\$ 1,297,024	\$ 13,406,650	\$ 14,061,452	\$ 73,712	\$ 45,054,385
Liabilities and Fund Balances										
Liabilities										
Accounts payable	\$ 90,514	\$ 166,714	\$ 376,858	\$	\$	\$ 414,563	\$ 3,240,755	\$	\$	\$ 4,289,404
Unearned revenue		5,000								5,000
Total Liabilities	\$ 90,514	\$ 171,714	\$ 376,858	\$	\$	\$ 414,563	\$ 3,240,755	\$	\$	\$ 4,294,404
Fund Balances										
Nonspendable			57,909							57,909
Restricted	20		5,393,555	2,861,200	5,256,885	882,461		14,061,452	73,712	25,668,085
Committed	1,783,114									4,644,314
Assigned		8,822	214,956				10,165,895			10,389,673
Total Fund Balances	\$ 1,783,134	\$ 8,822	\$ 5,666,420	\$ 2,861,200	\$ 5,256,885	\$ 882,461	\$ 10,165,895	\$ 14,061,452	\$ 73,712	\$ 40,759,981
Total Liabilities and Fund Balances	\$ 1,873,648	\$ 180,536	\$ 6,043,278	\$ 2,861,200	\$ 5,256,885	\$ 1,297,024	\$ 13,406,650	\$ 14,061,452	\$ 73,712	\$ 45,054,385

See the accompanying notes to the optional supplementary information.

ROWLAND UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2014

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Projects	Bond Interest and Redemption Fund	Tax Override Fund	Total Non-Major Governmental Funds
Revenues										
Federal sources	\$ 312,453	\$ 864,502	\$ 6,225,797	\$ -	\$ -	\$ -	\$ -	\$ 1,390,691	\$ -	\$ 7,928,941
Other state sources	185,187	783	456,011		64,004	422,913		126,177		1,869,603
Other local sources	497,640	865,285	1,030,476	14,463	64,004	9,572	202,070	14,102,302	466	15,609,323
Total Revenues			<u>7,712,284</u>	<u>14,463</u>	<u>64,004</u>	<u>432,485</u>	<u>202,070</u>	<u>15,619,170</u>	<u>466</u>	<u>25,407,867</u>
Expenditures										
Instruction	605,544									605,544
Instruction - related services	869,997									869,997
Pupil services	36,560	864,502	7,133,723							8,034,785
General administration	63,151		330,113							383,264
Plant services	66,212		65,945	27,095	91,636	594,620	7,515,972			8,361,480
Debt service								13,668,812		13,668,812
Total Expenditures	<u>1,641,464</u>	<u>864,502</u>	<u>7,519,781</u>	<u>27,095</u>	<u>91,636</u>	<u>594,620</u>	<u>7,515,972</u>	<u>13,668,812</u>	<u>-</u>	<u>31,923,882</u>
Excess (deficiency) of revenues over expenditures	<u>(1,143,824)</u>	<u>783</u>	<u>192,503</u>	<u>(12,632)</u>	<u>(27,632)</u>	<u>(162,135)</u>	<u>(7,313,902)</u>	<u>1,950,358</u>	<u>466</u>	<u>(6,516,015)</u>
Other Financing Sources (Uses)										
Interfund transfers in	1,349,873									1,988,784
Proceeds from refunding bonds								33,930,726		33,930,726
Deposit to escrow account								(31,156,171)		(31,156,171)
Total Other Financing Sources (Uses)	<u>1,349,873</u>	<u>-</u>	<u>-</u>	<u>638,911</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,774,555</u>	<u>-</u>	<u>4,763,339</u>
Net change in fund balance	<u>206,049</u>	<u>783</u>	<u>192,503</u>	<u>626,279</u>	<u>(27,632)</u>	<u>(162,135)</u>	<u>(7,313,902)</u>	<u>4,724,913</u>	<u>466</u>	<u>(1,752,676)</u>
Fund Balance at Beginning of Year	<u>1,577,085</u>	<u>8,039</u>	<u>5,473,917</u>	<u>2,234,921</u>	<u>5,284,517</u>	<u>1,044,596</u>	<u>17,479,797</u>	<u>9,336,539</u>	<u>73,246</u>	<u>42,512,657</u>
Fund Balance at End of Year	<u>\$ 1,783,134</u>	<u>\$ 8,822</u>	<u>\$ 5,666,420</u>	<u>\$ 2,861,200</u>	<u>\$ 5,256,885</u>	<u>\$ 882,461</u>	<u>\$ 10,165,895</u>	<u>\$ 14,061,452</u>	<u>\$ 73,712</u>	<u>\$ 40,759,981</u>

See the accompanying notes to the optional supplementary information

ROWLAND UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
 COMBINING STATEMENT OF NET POSITION
 For the Fiscal Year Ended June 30, 2014

	Associated Student Body Funds							Total (Memorandum Only)
	Elementary Schools	Alvarado Intermediate School	Giano Intermediate School	Telesis Academy of Science and Math	Santana High School	Nogales High School	Rowland High School	
Assets								
Cash on hand and in banks	\$ 138,858	\$ 16,715	\$ 111,940	\$ 8,124	\$ 5,693	\$ 419,394	\$ 374,163	\$ 1,074,887
Accounts receivable:								
Miscellaneous	1,848					16,729	28,470	18,577
Inventories						19,414		47,884
Total Assets	<u>140,706</u>	<u>16,715</u>	<u>111,940</u>	<u>8,124</u>	<u>5,693</u>	<u>455,537</u>	<u>402,633</u>	<u>1,141,348</u>
Liabilities								
Accounts payable	1,474						27,899	29,373
Funds held in trust	75,650	4,821	39,886	3,006	3,992	268,801	284,753	680,909
Total Liabilities	<u>77,124</u>	<u>4,821</u>	<u>39,886</u>	<u>3,006</u>	<u>3,992</u>	<u>268,801</u>	<u>312,652</u>	<u>710,282</u>
Net Position								
Unrestricted	63,582	11,894	72,054	5,118	1,701	186,736	89,981	431,066
Total Net Position	<u>\$ 63,582</u>	<u>\$ 11,894</u>	<u>\$ 72,054</u>	<u>\$ 5,118</u>	<u>\$ 1,701</u>	<u>\$ 186,736</u>	<u>\$ 89,981</u>	<u>\$ 431,066</u>

See the accompanying notes to the optional supplementary information

ROWLAND UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2014

	Associated Student Body Funds							Total (Memorandum Only)
	Elementary Schools	Alvarado Intermediate School	Gilano Intermediate School	Academy of Science and Math	Santana High School	Nogales High School	Rowland High School	
Additions								
Revenue from local sources	\$ 42,693	\$ 48,200	\$ 40,265	\$ 15,509	\$ 60	\$ 120,839	\$ 186,779	\$ 454,345
Total Additions	<u>42,693</u>	<u>48,200</u>	<u>40,265</u>	<u>15,509</u>	<u>60</u>	<u>120,839</u>	<u>186,779</u>	<u>454,345</u>
Deductions								
Services and other operating expenses	36,603	57,525	38,520	11,889	(0)	119,322	183,791	447,650
Total Deductions	<u>36,603</u>	<u>57,525</u>	<u>38,520</u>	<u>11,889</u>	<u>(0)</u>	<u>119,322</u>	<u>183,791</u>	<u>447,650</u>
Changes in net position	6,090	(9,325)	1,745	3,620	60	1,517	2,988	6,695
Net Position at Beginning of Year	<u>57,492</u>	<u>21,219</u>	<u>70,309</u>	<u>1,498</u>	<u>1,641</u>	<u>185,219</u>	<u>86,993</u>	<u>424,371</u>
Net Position at End of Year	<u>\$ 63,582</u>	<u>\$ 11,894</u>	<u>\$ 72,054</u>	<u>\$ 5,118</u>	<u>\$ 1,701</u>	<u>\$ 186,736</u>	<u>\$ 89,981</u>	<u>\$ 431,066</u>

See the accompanying notes to the optional supplementary information.

ROWLAND UNIFIED SCHOOL DISTRICT

NOTES TO OPTIONAL SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2014

NOTE 1 - PURPOSE OF SCHEDULES:

Combining Fund Financial Statements

Combining fund balance sheets and statements of revenues, expenditures and changes in fund balances have been presented for the non-major funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to the financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS



**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
Rowland Unified School District
1830 Nogales Street
Rowland Heights, California 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rowland Unified School District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

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 and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

**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***

Compliance and Other Matters

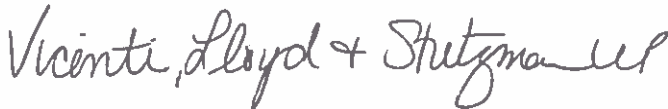
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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*.

District's Response to Findings

Rowland Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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, California
December 8, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

Board of Education
Rowland Unified School District
1830 Nogales Street
Rowland Heights, California 91748

Report on Compliance for Each Major Federal Program

We have audited Rowland Unified School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance such that there is a reasonable possibility, that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vicenti, Lloyd + Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

Glendora, California

December 8, 2014



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
Rowland Unified School District
1830 Nogales Street
Rowland Heights, California 91748

We have audited the Rowland Unified School District's (the District) compliance with the types of compliance requirements described in the *2013-14 Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel for the year ended June 30, 2014. The District's State compliance requirements are identified in the table below.

Management's Responsibility

Management is responsible for compliance with the State laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2013-14 Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on State compliance. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	6	Yes
Teacher certification and misassignments	3	Yes
Kindergarten continuance	3	Yes
Independent study	23	No ¹
Continuation education	10	Yes
Instructional time for School Districts	10	Yes
Instructional materials general requirements	8	Yes
Ratios of administrative employees to teachers	1	Yes
Classroom teacher salaries	1	Yes
Early retirement incentive	4	Yes
GANN limit calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No ³
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	Not applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous records of attendance	8	No ²
Mode of instruction	1	No ²
Nonclassroom-based instruction/independent study	15	No ²
Determination of funding for nonclassroom-based instruction	3	No ²
Annual instructional minutes – classroom based	4	No ²
Charter School Facility Grant Program	1	No ²

¹We did not perform testing for independent study because the independent study ADA was under the level which requires testing.

²The testing for each Charter School was done by the schools' respective auditor.

³No expenditures in 2013-14.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *2013-14 Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel, and which is described in the accompanying schedule of findings and questioned costs as item 2014-002. Our opinion on the state program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2013-14 Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

Vicenti, Lloyd + Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

Glendora, California

December 8, 2014

FINDINGS AND QUESTIONED COSTS

ROWLAND UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS**

June 30, 2014

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiencies identified not considered
to be material weaknesses? X Yes None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified not considered
to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance for
major programs: Unmodified

Any audit findings disclosed that are required to be
Reported in accordance with Circular A-133,
Section .510(a) Yes X No

Identification of major programs tested:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A, Low-Income and Neglected Cluster
84.027, 84.173, 84.027A, 84.173A	Special Education Cluster
93.778	Medi-Cal Reimbursement Program

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 625,873

Auditee qualified as low-risk auditee? X Yes No

ROWLAND UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2014

All audit findings must be identified as one or more of the following eleven categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINDING 2014-001 DECENTRALIZED CASH RECEIPTS –
TRANSPORTATION AND RISK MANAGEMENT **30000**

Transportation Observation: We noted during testing of cash receipts over transportation that the cash procedures of collection and recording are handled by the same technician. Amounts are recorded when collected in the Transportation office and reflected in the District’s general ledger once deposited in the districts clearing bank account and subsequently cleared to Cash in County. There is currently no procedure in place to reconcile the amounts collected in the Transportation Office with the amounts posted to the general ledger.

Risk Management Observation: We noted during testing of cash receipts over health benefits that the cash collection functions of billing, collecting, recording, and reconciling are handled by the same technician. We also noted that funds are not always properly secured in the risk management office; they are occasionally stored in the technician’s unlocked desk drawer. The internal tracking software has not been updated and includes amounts due from retirees who have passed away. Although Risk management staff knows the amounts outstanding for current retirees, the tracking system does not reflect the proper amount and does not allow for management monitoring of outstanding or overdue amounts. The District purchased new tracking software, however it is not fully implemented or reconciled.

ROWLAND UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS**

June 30, 2014

**FINDING 2014-001 DECENTRALIZED CASH RECEIPTS –
TRANSPORTATION AND RISK MANAGEMENT**

30000

(continued)

Recommendations: We recommend that the transportation department implement procedures that require two people to count all cash collections. Both parties should sign a cash count sheet noting they agree to the amount collected. Additionally, periodic reconciliation procedures should include a comparison between the amounts collected per the Transportation Department software and the amount recorded in the general ledger as revenue, along with detail comparisons using the technician's cash receipt books and credit card receipts. The two systems should be in agreement, and any differences should be investigated and resolved.

We also recommend that the risk management department continue implementation and reconciliation of the new software and database. All balances recorded in the old software should be examined to determine validity and only valid amounts due from current retirees should be recorded. Revised procedures should also include a process for timely deposit of funds and segregated duties for the process of counting and recording deposits.

District Response:

Transportation – The Transportation department has revised the process where the senior office assistant and office assistant provide parents with bus pass receipts when cash is collected. Each invoice is numbered and in triplicate, thus requiring three separate copies within the process. At the end of the day the senior office assistant records the collection on appropriate forms and counts all the monies (cash, money order, checks collected) in front of the director, and the Director of Transportation will then verify the amount before signing off on the totals verified. The money along with the cash deposit slip are then sealed in the deposit bag and logged with the amount, date and signature of the depositor and transported to Fiscal Services for deposit pickup. Since there is a timing difference between collection, deposit to local bank, clearing it to the county treasury and posting to the general ledger, at certain cutoff period the amount recorded in the general ledger as revenue will be compared and reconciled to the transportation bus pass system and records.

ROWLAND UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2014

FINDING 2014-001 DECENTRALIZED CASH RECEIPTS –
TRANSPORTATION AND RISK MANAGEMENT **30000**
(continued)

District Response: (continued)

Risk Management –The Risk Management Department has currently revised and implemented a new system for the retiree benefits cash collection process as follows.

- Risk Management has installed Peachtree software for recording and billing retiree’s benefits. The department has already started updating and reconciling retiree’s information in the new software and database.
- Risk Management (RM) Technician #1 inputs all active retirees into the Peachtree software and generates billings.
- Risk Management Technician #2 will collect cash/checks, prepare the cash collection summary and submit cash to Fiscal Services. A copy of the summary will be provided to RM Technician #1 for recording.
- RM Technician #1 will input the collection into the Peachtree software and update aging receivables.
- Risk Management Director will sign the reconciliation documents.

ROWLAND UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2014

There were no findings and questioned costs related to federal awards for the year ended June 30, 2014.

ROWLAND UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2014

FINDING 2014-002 – SCHOOL ACCOUNTABILITY REPORT CARD **72000**

Original Finding 13-1

Criteria: Per Education Code Section 33126 subdivision (b)(9), the District is required to report the results of the Facilities Inspection Tool (FIT) within each Site's School Accountability Report Card.

Condition: The FIT summary was not completed. When the detail of the Summary FIT was completed, it did not reflect what was reported on the Site's School Accountability Report Card posted on the district website.

Effect: The District is not in compliance with California Education Code Section 33126.

Cause: Unknown.

Questioned Costs: Not applicable

Recommendation: The District should establish procedures to have a (FIT) completed for each site. The summary of the FIT reports should be completed and the School Accountability Report Card updated to reflect that actual summary of the FIT reports, based on the results.

District Response: The District currently uses the Facility Inspection Tool form during facility inspections to document all school sites inspections and properly complete the detail of the FIT summary. The Facilities and Custodial Manager is now in charge of coordinating and inspecting the schools sites facilities and completing the FIT form while the Director of Facilities & Maintenance oversees the inspection process. The District will ensure that the facilities inspection tool and summary of the FIT report are completed for each site and the School Accountability Report Card (SARC) is updated reflecting the actual inspection report based on results.

ROWLAND UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2014

Original Finding No.	Finding	Code	Recommendation	Current Status
13-1	<p><u>SCHOOL ACCOUNTABILITY REPORT CARD</u></p> <p>Criteria: Per Education Code Section 33126 subdivision (b)(9) the District is required to report the results of the Facilities Inspection Tool within each site School Accountability Report Card.</p> <p>Condition: The District completed the School Accountability Report Card without completing the Facilities Inspection Tool.</p> <p>Effect: The District is not in compliance with California Education Code Section 33126.</p> <p>Cause: The District did not have a Director of Facilities at the time. Many of the sites were recently modernized and the District was aware that the sites were in good condition. District personnel did a visual inspection prior to completing the School Accountability Report Card.</p>	72000	<p>The District should establish procedures to have a Facilities Inspection Tool completed for each site and update the School Accountability Report Card based on the results.</p>	<p>Not Implemented. See current year finding 2014-002.</p>