ROWLAND UNIFIED SCHOOL DISTRICT

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

Fiscal Year Ending June 30, 2009

ROWLAND
UNIFIED SCHOOL DISTRICT

ROWLAND UNIFIED SCHOOL DISTRICT

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

June 30, 2009

CONTENTS

	Page
Independent Auditors' Report	1
Balance Sheet – Bond Building Fund	2
Statement of Revenues, Expenditures and Change in Fund Balance – Bond Building Fund	3
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Bond Building Fund	4
Notes to Financial Statements	5-9
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	10-11
Schedule of Findings and Questioned Costs	12
Status of Prior Year Findings and Questioned Costs	13

VICENTI ♦ LLOYD ♦ STUTZMAN LLP
BUSINESS CONSULTANTS AND CPAs

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Bond Building Fund – Measure R (2006) of the Rowland Unified School District as of and for the fiscal year ended June 30, 2009. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit of the Bond Building Fund – Measure R (2006) in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements for the Bond Building Fund – Measure R (2006) are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Bond Building Fund – Measure R (2006) financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the Rowland Unified School District Bond Building Fund – Measure R (2006) as of June 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2009 on our consideration of the Rowland Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters related to the Bond Building Fund – Measure R (2006). The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP

December 2, 2009

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ROWLAND UNIFIED SCHOOL DISTRICT

BALANCE SHEET
BOND BUILDING FUND - MEASURE R (2006)
June 30, 2009

ASSETS	
Cash in county treasury	$ 37,727,672
Accounts receivable	204,234
TOTAL ASSETS	$ 37,931,906
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	$ 988,227
TOTAL LIABILITIES	988,227
FUND BALANCE	
Designated	36,943,679
TOTAL FUND BALANCE	36,943,679
TOTAL LIABILITIES AND FUND BALANCE	$ 37,931,906

See the accompanying notes to the financial statements.

ROWLAND UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BOND BUILDING FUND - MEASURE R (2006)
For the Fiscal Year Ended June 30, 2009

REVENUES	
Interest and investment income	$ 1,049,339
TOTAL REVENUES	1,049,339
EXPENDITURES	
Salaries	13,915
Benefits	1,163
Supplies	415
Services and other operating expenditures	7,271
Capital outlay	7,956,308
TOTAL EXPENDITURES	7,979,072
Net change in fund balance	(6,929,733)
Fund Balance at Beginning of Year	43,873,412
Fund Balance at End of Year	$ 36,943,679

See the accompanying notes to the financial statements.

ROWLAND UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BOND BUILDING FUND - MEASURE R (2006)
For the Fiscal Year Ended June 30, 2009

	Budget *	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest and investment income	$ 700,000	$ 1,049,339	$ 349,339
TOTAL REVENUES	700,000	1,049,339	349,339
EXPENDITURES			
Salaries	13,915	13,915	-
Benefits	1,163	1,163	-
Supplies	415	415	-
Services and other operating expenditures	7,271	7,271	-
Capital outlay	34,977,236	7,956,308	27,020,928
TOTAL EXPENDITURES	35,000,000	7,979,072	27,020,928
Net change in fund balance	$ (34,300,000)	(6,929,733)	$ 27,370,267
Fund Balance at Beginning of Year		43,873,412	
Fund Balance at End of Year		$ 36,943,679	

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

See the accompanying notes to the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

FUND STRUCTURE

The Statement of Revenues, Expenditures and Change in Fund Balance is a statement of financial activities of the Bond Building Fund – Measure R (2006) related to the current reporting period. Fund expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

BASIS OF ACCOUNTING

The Bond Building Fund – Measure R (2006) of the Rowland Unified School District is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

During the year, Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

BUDGET

The Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual includes a column entitled "Budget". The amounts in this column represent the allocation of the budget adopted by the Board and all amendments throughout the year in regards to the Proposition 39 Bond amounts.

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

CAPITAL ASSETS AND LONG-TERM DEBT

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Bond Building Fund – Measure R (2006) are determined by its measurement focus. The bond building fund is accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of "available spendable resources". Thus, the capital assets and long-term liabilities associated with the Bond Building Fund – Measure R (2006) are accounted for in the basic financial statements of the Rowland Unified School District.

NOTE 2 - DEPOSITS:

CASH IN COUNTY

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair market value of the District's Bond Building Fund – Measure R (2006) deposits in this pool as of June 30, 2009, as provided by the pool sponsor, was $37,804,132.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

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

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

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

NOTE 4 – BONDED DEBT:

On June 6, 2006, the District voters authorized the issuance and sale of general obligation bonds totaling $118,000,000. On August 23, 2006, $48,000,000 of Series A general obligation bonds were sold under Proposition 39/Measure R (2006) which provides that proceeds of the bonds will generally be used to finance the construction, renovation and improvement of school facilities.

Interest due is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2007. The principal with respect to the bonds is payable upon maturity or upon redemption in whole or in part at the corporate trust office of the Paying Agent. The bonds are issuable as fully registered bonds without coupons in denomination of $5,000 or any integral multiple thereof. The bonds bear an interest rate ranging from 4.0% to 5.0%.

The outstanding related bonded debt for the Rowland Unified School District at June 30, 2009 is:

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2008	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2009
8/23/2006	4.0-5.0%	8/1/2031	$ 48,000,000	$ 45,500,000	$ -	$ 1,450,000	$ 44,050,000

NOTE 4 – BONDED DEBT: (continued)

The annual requirements to amortize Series A bonds payable, outstanding as of June 30, 2009, are as follows:

Year Ended June 30,	Principal	Interest Payment	Total
2010	$ 1,650,000	$ 2,140,775	$ 3,790,775
2011		2,103,525	2,103,525
2012	135,000	2,100,825	2,235,825
2013	225,000	2,093,625	2,318,625
2014	350,000	2,082,125	2,432,125
2015-2019	3,810,000	9,994,375	13,804,375
2020-2024	8,465,000	8,402,688	16,867,688
2025-2029	15,500,000	5,585,000	21,085,000
2030-2032	13,915,000	1,088,125	15,003,125
	$ 44,050,000	$ 35,591,063	$ 79,641,063

The repayment of the debt related to the general obligations bonds is accounted for in the District's Bond Interest and Redemption Fund which is part of the Rowland Unified School District's basic financial statements. The recognition of $2,479,895 in premiums on bonds was recorded as long-term liabilities in the Rowland Unified School District's basic financial statements and is amortized to interest expense over the life of the bonds. $859,365 of issuance costs was recognized as capitalized fees in the basic financial statements of the Rowland Unified School District and is also amortized to interest expense over the life of the bonds.

NOTE 5 – PURCHASE COMMITMENTS:

As of June 30, 2009, the Rowland Unified School District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $8.5 million to be funded through bond proceeds.

NOTE 6 – SUBSEQUENT EVENT:

The District sold $32,422,549 General Obligation Bonds, 2006 Election Series B and $12,000,000 General Obligation Bonds, 2006 Election Series C on October 26, 2009. The bonds were sold with an interest yield of 1.21% - 6.95% and mature through 2039. The bonds were sold to finance the construction, acquisition and modernization of certain property and District facilities.

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

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

We have audited the Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Bond Building Fund – Measure R (2006) of the Rowland Unified School District as of and for the fiscal year ended June 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rowland Unified School District's internal control over Bond Building Fund – Measure R (2006) financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the fund financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's Bond Building Fund – Measure R (2006) financial statement that is more than inconsequential will not be prevented or detected by the District's internal control.

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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

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Bond Building Fund – Measure R (2006) financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over the Bond Building Fund – Measure R (2006) financial reporting was for the limited purpose described in the first paragraph of this section and could not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rowland Unified School District's Bond Building Fund – Measure R (2006) financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 of the Bond Building Fund – Measure R (2006) disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

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

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP

December 2, 2009

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2009

There were no findings or questioned costs for fiscal year ended June 30, 2009.

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

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2009

There were no findings or questioned costs for fiscal year ended June 30, 2008.