

**MEASURE "R" GENERAL OBLIGATION
BOND BUILDING FUND OF
ROWLAND UNIFIED SCHOOL DISTRICT**

AUDIT REPORT

**For the Fiscal Year Ended
June 30, 2017**

**MEASURE "R" GENERAL OBLIGATION BOND BUILDING FUND OF
ROWLAND UNIFIED SCHOOL DISTRICT**

For the Fiscal Year Ended June 30, 2017

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Financial Section

**MEASURE "R" GENERAL OBLIGATION BOND BUILDING FUND OF
ROWLAND UNIFIED SCHOOL DISTRICT**

*Introduction and Citizens' Oversight Committee Member Listing
June 30, 2017*

Rowland Unified School District (the District) consists of three high schools, one of which is a continuation, two intermediate schools, three K-8 academies, eleven K-6 elementary schools, and one community day school, supported by a District Office and an operations center. In addition, the District impacts the community with programs for more than 5,000 adults through Rowland Adult and Community Education and Recreation. The District serves approximately 15,000 students.

On June 6, 2006, the voters of the Rowland Unified School District approved by more than 55% Measure "R", authorizing the issuance and sale of \$118,000,000 of general obligation bonds. On August 23, 2006, the District issued Series A of the Election of 2006 General Obligation Bonds in the amount of \$48,000,000, on October 26, 2009, issued Series B and Series C for \$32,422,549 and \$12,000,000. Additionally, the District issued Series D and Series E for \$25,000,000 and \$557,451 on July 8, 2011. The bonds were issued to finance the construction and modernization of school facilities and to pay costs of issuance of the bonds.

On November 6, 2012, the District voters approved the issuance of bonds (2012 measure R Election) authorizing the issuance and sale of \$158,800,000 of general obligation bonds. On July 23, 2013, the District issued Series A of the Election of 2016 General Obligation Bonds in the amount of \$50,000,000 and on June 23, 2013, issued Series B for an additional \$67,999,972. The bonds were issued to finance and renovate the construction and improvement of school facilities.

The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability provisions. Specifically, the District must conduct an annual independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects.

Upon passage of Proposition 39, an accompanying piece of legislation, AB1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond Proposition pursuant to the 55% majority authorized in Proposition 39 including formation, composition and purpose of the Citizens' Bond Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

The Citizens' Bond Oversight Committee was comprised of the following members as of June 30, 2017.

<u>Name</u>	<u>Title</u>	<u>Representation</u>
Harry Peterson	Chair	Seniors' Organization
Wendy Zhong	Vice Chair	Parent/PTA/PTO
Natalie Moreno	Member	Parent/PTA/PTO
Nat Ornelas	Member	Community Member
Mike Wong	Member	Community Member
Jae Chun	Member	Business Representative
Denise Jackman	Member	Tax Payers' Organization



INDEPENDENT AUDITORS' REPORT

The Board of Education and the
Citizens' Bond Oversight Committee
Rowland Unified School District
Rowland Heights, California

Report on the Financial Statements

We have audited the accompanying financial statements of the 2006 and 2012 Elections of Measure "R" General Obligation Bond Building Fund of Rowland Unified School District, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

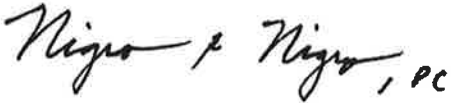
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 2006 and 2012 Elections of Measure "R" General Obligation Bond Building Fund of Rowland Unified School District, as of June 30, 2017, and the changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the 2006 and 2012 Elections of Measure "R" General Obligation Bond Building Fund and do not purport to, and do not, present fairly the financial position of the Rowland Unified School District, as of June 30, 2017, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2018, 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 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.

A handwritten signature in cursive script that reads "Nigro & Nigro, PC".

Murrieta, California
January 24, 2018

**MEASURE "R" GENERAL OBLIGATION BOND BUILDING FUND OF
ROWLAND UNIFIED SCHOOL DISTRICT**

Balance Sheet

June 30, 2017

	<u>Measure "R"</u> <u>2006</u>	<u>Measure "R"</u> <u>2012</u>
ASSETS		
Cash in county treasury	\$ 12,310,575	\$ 93,979,964
Accounts receivable	<u>70,455</u>	<u>486,289</u>
Total Assets	<u>\$ 12,381,030</u>	<u>\$ 94,466,253</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 42,737	\$ 4,045,478
Fund Balances		
Restricted for capital projects	<u>12,338,293</u>	<u>90,420,775</u>
Total Liabilities and Fund Balances	<u>\$ 12,381,030</u>	<u>\$ 94,466,253</u>

**MEASURE "R" GENERAL OBLIGATION BOND BUILDING FUND OF
ROWLAND UNIFIED SCHOOL DISTRICT**

*Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2017*

	Measure "R" 2006	Measure "R" 2012
REVENUES		
Interest earnings	\$ 169,406	\$ 1,060,285
Total Revenues	<u>169,406</u>	<u>1,060,285</u>
EXPENDITURES		
Current:		
Salaries and benefits	47,062	187,679
Services and other operating expenditures	12,295	41,534
Capital outlay	<u>(162,287)</u>	<u>15,344,860</u>
Total Expenditures	<u>(102,930)</u>	<u>15,574,073</u>
Net Change in Fund Balances	<u>272,336</u>	<u>(14,513,788)</u>
Fund Balances, July 1, 2016, as originally stated	16,800,084	100,200,436
Adjustments for Restatement	<u>(4,734,127)</u>	<u>4,734,127</u>
Fund Balances, July 1, 2016, as restated	<u>12,065,957</u>	<u>104,934,563</u>
Fund Balances, June 30, 2017	<u>\$ 12,338,293</u>	<u>\$ 90,420,775</u>

**MEASURE "R" GENERAL OBLIGATION BOND BUILDING FUND OF
ROWLAND UNIFIED SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

On June 6, 2006, the District voters authorized \$118,000,000 in General Obligation Bonds (Measure "R") for the purpose of financing the modernization and construction of school facilities within the District. On November 6, 2012, the District voters authorized \$158,800,000 for the purpose of financing and renovating the construction and improvement of school facilities within the District. The measure required a minimum 55% vote for passage. In response, an advisory committee to the District's Governing Board and Superintendent, the Citizens' Bond Oversight Committee, was established. The Committee's oversight goals include ensuring compliance with conditions of the 2006 and 2012 Elections of Measure "R".

The Bond proceeds are accounted for in the District's Building Fund (21), where they are expended for the approved projects. The District uses separate subfunds within the fund to account for the 2006 and 2012 elections separately. The 2006 Election Measure "R" is accounted for in subfund 21.6, and the 2012 Election Measure "R" is accounted for in subfund 21.7. The statements presented are for the individual elections of Measure "R" General Obligation Bond Building Fund and are not intended to be a complete presentation of the District's financial position or results of operations.

B. Accounting Policies

The Rowland Unified School District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures 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.

The financial statements of the Measure "R" General Obligation Bond Building Fund are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

D. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

**MEASURE "R" GENERAL OBLIGATION BOND BUILDING FUND OF
ROWLAND UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements
June 30, 2017*

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**MEASURE "R" GENERAL OBLIGATION BOND BUILDING FUND OF
ROWLAND UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements
June 30, 2017*

NOTE 2 - CASH

Pooled Funds

In accordance with Education Code Section 41001, the District maintains all of its cash from the bond proceeds in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2017, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

NOTE 3 - ACCOUNTS RECEIVABLE

The total accounts receivable at June 30, 2017 in the amount of \$556,744 represents amounts due from the Los Angeles County Treasurer for interest earnings for the quarter ended June 30, 2017.

NOTE 4 - MEASURE "R" GENERAL OBLIGATION BONDS

Measure "R" (2006)

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. All bonds authorized through this election have been issued.

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.

**MEASURE "R" GENERAL OBLIGATION BOND BUILDING FUND OF
ROWLAND UNIFIED SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2017

NOTE 4 - MEASURE "R" GENERAL OBLIGATION BONDS (continued)

Measure "R" (2012)

On November 6, 2012, the voters approved the issuance of bonds (2012 Measure R Election) not to exceed \$158,800,000 for the purpose to financing and renovation, construction and improvement of school facilities as specified in the bond measure. Approximately \$40.8 million of bonds remains to be issued.

A summary of all outstanding general obligation bonds of the 2006 and 2012 Elections of Measure "R" at June 30, 2017, follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2016	Additions	Deductions	Balance, June 30, 2017
Election of 2006								
Series A	8/23/2006	8/1/2016	4.0%-5.0%	\$ 48,000,000	\$ 735,000	\$ -	\$ 735,000	\$ -
Series B	10/26/2009	8/1/2042	2.50%-5.25%	32,422,549	28,197,549	-	1,175,000	27,022,549
Series C	10/26/2009	8/1/2034	6.95%	12,000,000	12,000,000	-	-	12,000,000
Series D	7/8/2011	2/1/2027	5.10%	25,000,000	20,150,000	-	1,400,000	18,750,000
Series E	7/8/2011	2/1/2023	3.85%	557,451	557,451	-	-	557,451
				<u>\$ 117,980,000</u>	<u>\$ 61,640,000</u>	<u>\$ -</u>	<u>\$ 3,310,000</u>	<u>\$ 58,330,000</u>
Election of 2012								
Series A	7/23/2013	8/1/2043	4.0%-5.0%	\$ 50,000,000	\$ 44,380,000	\$ -	\$ 2,445,000	\$ 41,935,000
Series B	6/24/2015	8/1/2045	2.0%-5.459%	67,999,972	65,999,972	-	-	65,999,972
				<u>\$ 117,999,972</u>	<u>\$ 110,379,972</u>	<u>\$ -</u>	<u>\$ 2,445,000</u>	<u>\$ 107,934,972</u>

The requirements to amortize outstanding general obligation bonds are as follows:

2006 Election

Fiscal Year	Principal	Interest	Total
2017-2018	\$ 2,775,000	\$ 2,155,462	\$ 4,930,462
2018-2019	2,950,000	2,019,237	4,969,237
2019-2020	3,200,000	1,866,437	5,066,437
2020-2021	3,400,000	1,698,912	5,098,912
2021-2022	3,600,000	1,527,087	5,127,087
2022-2027	14,750,765	11,042,616	25,793,381
2027-2032	2,578,731	8,088,455	10,667,186
2032-2037	16,742,147	25,871,314	42,613,461
2037-2042	7,154,082	44,717,700	51,871,782
2042-2043	1,179,275	9,570,725	10,750,000
	<u>\$ 58,330,000</u>	<u>\$ 108,557,945</u>	<u>\$ 166,887,945</u>

**MEASURE "R" GENERAL OBLIGATION BOND BUILDING FUND OF
ROWLAND UNIFIED SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2017

NOTE 4 - MEASURE "R" GENERAL OBLIGATION BONDS (continued)

2012 Election

Fiscal Year	Principal	Interest	Total
2017-2018	\$ 640,000	\$ 4,279,525	\$ 4,919,525
2018-2019	425,000	4,252,900	4,677,900
2019-2020	540,000	4,234,175	4,774,175
2020-2021	-	4,226,075	4,226,075
2021-2022	-	4,226,075	4,226,075
2022-2027	2,410,000	20,951,625	23,361,625
2027-2032	12,055,581	23,575,419	35,631,000
2032-2037	16,398,526	31,353,724	47,752,250
2037-2042	30,180,865	25,030,849	55,211,714
2042-2046	45,285,000	4,168,689	49,453,689
	\$ 107,934,972	\$ 126,299,056	\$ 234,234,028

NOTE 5 - CONSTRUCTION COMMITMENTS

At June 30, 2017, the District had commitments with respect to unfinished capital projects of approximately \$39.6 million to be paid from a combination of state and local funds.

Other Independent Auditors' Reports



**INDEPENDENT AUDITORS' 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***

The Board of Education and the
Citizens' Bond Oversight Committee
Rowland Unified School District
Rowland Heights, California

We have audited, in accordance with the 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 Measure "R" General Obligation Bond Building Fund of Rowland Unified School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated January 24, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rowland Unified School 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 Rowland Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rowland Unified School 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 District's 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.

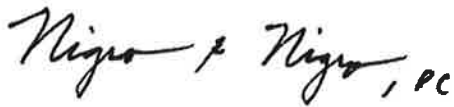
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rowland Unified School 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Handwritten signature in cursive script that reads "Nigro & Nigro, PC".

Murrieta, California
January 24, 2018



INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

The Board of Education and the
Citizens' Bond Oversight Committee
Rowland Unified School District
Rowland Heights, California

We have examined the Rowland Unified School District's (the "District") compliance with the performance requirements for the Proposition 39 Measure "R" General Obligation Bond for the fiscal year ended June 30, 2017, under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Objectives

The objectives of the examination of compliance applicable to the District are to determine with reasonable assurance that:

- The expenditures charged to the Rowland Unified School District Building Funds (21.6 and 21.7) are documented.
- Expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure "R".
- Any discrepancies or weaknesses in internal controls are noted and recommendations for improvement are provided.
- The District Board and the Citizens' Bond Oversight Committee are provided with a performance audit report as required under the requirements of the California Constitution and Proposition 39.

Scope of the Audit

The scope of our performance audit covered the fiscal period from July 1, 2016 to June 30, 2017. The expenditures tested included all object and project codes associated with the bond projects. Expenditures incurred subsequent to June 30, 2017, were not reviewed or included within the scope of our audit or in this report.

Procedures Performed

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2017, for the Measure "R" General Obligation Building Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure "R" with regards to the approved bond projects list. We performed the following procedures:

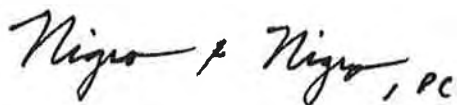
To meet our objectives, audit tests were performed and included, but were not limited to the following:

- We verified that bond funds were deposited in the District's name and invested in accordance with applicable legal requirements.
- We tested approximately \$9.9 million (63.9%) in bond fund invoices paid, which is a combination of 2016-17 expenditures and payments on liabilities accrued as of June 30, 2017, and paid in 2017-18. This includes testing payments for validity, allowability, and accuracy. Expenditures sampled in our test included payments made to subcontractors and other vendors.
- We reviewed the approved project listing as set out in the Measure "R" election documents.
- We selected a sample of expenditures for the fiscal year ended June 30, 2017, and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects.
- We visited construction sites at Rowland High School to ensure that expenditures made corresponded with the actual work performed at the site.
- We verified that funds from the Building Fund (21.6 and 21.7) were expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects, and we tested that funds held in the Building Fund (21.6 and 21.7) were not used for salaries of school administrators or other operating expenses of the District.
- We reviewed a sample of projects to ensure that proper bidding procedures were followed pursuant to Public Contract Code Section 20111.
- We tested whether the District exceeded change order limitations in excess of 10% pursuant to Public Contract Code.

Our audit of compliance made for the purpose set forth in the preceding paragraph would not necessarily disclose all instances of noncompliance.

In our opinion, the District complied with the compliance requirements for the Measure "R" General Obligation Bond proceeds listed and tested above.

This report is intended for the information of the Board of Education, management and the Citizens' Bond Oversight Committee; however, this report is a matter of public record.



Murrieta, California
January 24, 2018

Findings and Responses

**MEASURE "R" GENERAL OBLIGATION BOND BUILDING FUND OF
ROWLAND UNIFIED SCHOOL DISTRICT**

Schedule of Audit Findings and Responses

June 30, 2017

There were no audit findings and responses in 2016-17.

ROWLAND UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2017

Original Finding No.	Finding	Recommendation	Current Status
Finding 2016-001: Change Orders	<p>According to Public Contract Code 20118.4, any change of a contract may be authorized by the governing board without the formality of securing bids, so long as the cost does not exceed ten percent of the original contract price.</p> <p>For the 2015-16 fiscal year under audit, three contract revisions for the Nogales High project were approved totaling \$682,799. This brought the total of all changes for the project to \$3,490,337 from an original contract price of \$23,615,517, or a 14.8% increase.</p>	<p>We recommend that the District comply with Public Contract Code and secure bids for contract changes exceeding ten percent of the original contract price.</p>	Implemented.