

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

Fiscal Year Ended June 30, 2012



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INDEPENDENT AUDITOR'S REPORT

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

We have conducted a performance audit of the Rowland Unified School District (the "District"), Measure R (2006) General Obligation Bond funds for the year ended June 30, 2012.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives.

Our audit was limited to the objectives listed on page 3 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure R (2006) General Obligation Bonds 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.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of the District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on internal control.

The results of our tests indicated that, in all significant respects, the District expended Measure R (2006) General Obligation Bond funds for the year ended June 30, 2012 only for the specific projects developed by the District's Board of Education and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

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

December 11, 2012

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BACKGROUND INFORMATION

In November 2000 the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school district's and community colleges, under certain circumstances and subject to certain conditions. In June, 2006, a general obligation bond proposition (Measure R) of the District was approved by the voters of the District. Measure R (2006) authorized the District to issue up to \$118,000,000 of general obligation bonds to finance various capital projects, and related costs, as specified in the bond measure provisions of Measure R (2006).

Pursuant to the requirements of Proposition 39, and related state legislation, the Board of Education of the District established a Citizens' Oversight Committee and appointed its members. The principal purpose of the Citizens' Oversight Committee, as set out in state law, is to inform the public as to the expenditures of the proceeds of the bonds issued pursuant to the Measure R (2006) bond authorization. The Citizens' Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Bond Building Fund – Measure R (2006) have been expended only for the authorized bond projects.

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OBJECTIVES

The objectives of our Performance Audit were to:

- determine the expenditures charged to the District Bond Building Fund – Measure R (2006);
- determine whether expenditures charged to the Bond Building Fund – Measure R (2006), have been made in accordance with the bond project list approved by the voters through the approval of Measure R in June 2006.
- note any incongruities, system weaknesses, or non-compliance with specific Education Code sections related to bond oversight and provide recommendations for improvement;
- provide the District Board and the Citizens’ Oversight Committee with a performance audit 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, 2011 to June 30, 2012. The sample of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2012, were not reviewed or included within the scope of our audit or in this report.

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PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for fiscal year ended June 30, 2012 for the Bond Building Fund – Measure R (2006). Within the period audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure R (2006) with regards to the approved bond projects list. We performed the following procedures:

- reviewed the projects listed to be funded with general obligation bond proceeds as set out in the Measure R (2006) election documents;
- selected a sample of expenditures for the fiscal year ended June 30, 2012, and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects. Our sample included 76 transactions totaling \$13,591,972. This represents 64% of total expenditures of \$21,221,648;
- we verified that funds from the Bond Building Fund – Measure R (2006) for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects. In addition, we verified that funds held in the Bond Building Fund – Measure R (2006) were used for salaries only for work that would not exist but for the existence of the construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

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CONCLUSION

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures of the funds held in the Bond Building Fund – Measure R (2006) and that such expenditures were made for authorized bond projects. Further, it was noted that the funds held in the Bond Building Fund – Measure R (2006) and expended by the District, were used for salaries only for work that would not exist but for the existence of the construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

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SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012

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

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STATUS OF PRIOR YEAR FINDINGS AND RESPONSES
June 30, 2012

FINDING 11-1 – CITIZENS’ BOND OVERSIGHT COMMITTEE

Original Finding 08-2

Finding: During our review of the Citizens’ Bond Oversight Committee (the Committee) members list, we noted that the Committee has had a vacant position for the entire year, resulting in only six members being on the committee during this time span. Per Section 15282 of the Education Code, the Citizens’ Bond Oversight Committee shall consist of at least seven members.

Recommendation: The District should take all necessary means to fill any open vacancy of a member position in an effective and timely manner.

Current Status: Implemented