

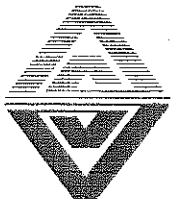
PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM
PERFORMANCE AUDIT

June 30, 2009

PARAMOUNT UNIFIED SCHOOL DISTRICT
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PERFORMANCE AUDIT
June 30, 2009

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INDEPENDENT AUDITORS' REPORT

The Board of Education
The Citizens' Oversight Committee
Paramount Unified School District
15110 S. California Avenue
Paramount, CA 90723

We have examined the Paramount Unified School District's compliance with the performance requirements for the Proposition 39/Measure AA General Obligation Bonds for the fiscal year ended June 30, 2009, 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 Paramount Unified School District's compliance with those requirements. Our responsibility is to express an opinion on the Paramount Unified School District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Paramount Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Paramount Unified School District's compliance with specified requirements.

In our opinion, except for the item noted in the schedule of findings and recommendations, the Paramount Unified School District complied with the aforementioned requirements for the fiscal year ended June 30, 2009.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN^{LLP}

December 3, 2009

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OBJECTIVES

The objectives of our performance audit were to:

- determine the expenditures charged to the Paramount Unified School District Measure AA Bond Program Fund;
- determine whether expenditures charged to the Measure AA Bond Program Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure AA in November 2006;
- note any incongruities or system weaknesses and provide recommendations for improvement;
- provide the District Board and the Citizens' Oversight Committee with a performance audit as specified under the requirements of the California Constitution and Proposition 39.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2008 to June 30, 2009. The expenditures tested included all object and project codes associated with the Measure AA 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 Measure AA bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2009 were not reviewed or included within the scope of our audit.

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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 districts and community colleges under certain circumstances and subject to certain conditions. In November 2006, a general obligation bond proposition (Measure AA) of the Paramount Unified School District was approved by the voters of the District. Measure AA authorized the District to issue up to \$100,000,000 of general obligation bonds to finance various capital projects and related costs, as specified in the bond measure provisions.

Pursuant to the requirements of Proposition 39 and related State legislation, the Board of Education of the District has established a Citizens' Bond Oversight Committee and appointed its initial members. The principal purpose of the Citizens' Bond Oversight Committee, as set out in State law, is to inform the public as to the expenditures made using the proceeds of the bonds issued pursuant to the Measure AA bond authorization. The Citizens' Bond 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 Measure AA Bond Program Fund have been expended only for the authorized bond projects.

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PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the period of July 1, 2008 to June 30, 2009 for the Measure AA Bond Program Fund. 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 AA 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 AA election documents.
- selected a sample of expenditures for the period of July 1, 2008 to June 30, 2009 and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects and were expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects. Our sample included 38 transactions totaling \$16,588,077. This represents 89.9% of total expenditures of \$18,432,850 for the period.
- furthermore, we verified that funds expended from the Measure AA Bond Program Fund were not used for salaries of school administrators or other operating expenses of the District.

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CONCLUSION

Based upon our procedures performed, we found that for the items tested, the Paramount Unified School District has properly accounted for the expenditures of the funds held in the Measure AA Bond Program Fund and that such expenditures were made for authorized bond projects. Furthermore, for the items tested, it was noted that the funds held in the Measure AA Bond Program Fund and expended by the District, were not expended for salaries of school administrators or other operating expenditures. Our audit does not provide a legal determination on the District's compliance with these requirements.

However, we did note a matter related to procedural requirements which is described in the accompanying schedule of findings and recommendations. Our audit does not provide a legal determination on the District's compliance with these requirements.

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**CURRENT YEAR FINDINGS AND RECOMMENDATIONS
June 30, 2009**

FINDING 09-1 – CITIZEN’S BOND OVERSIGHT COMMITTEE REPORTS

Finding: Education Code section 15280 requires that the Citizen’s Bond Oversight Committee (the Committee) issue regular reports on the results of its activities. A report is required to be issued at least once a year. The Committee did not issue a report for the 2007-08 fiscal year.

Recommendation: The Committee should issue a report at least annually to the public on the results of its activities. The Committee report should inform the public concerning the proper expenditure of Measure AA Bond Program funds and compliance with California Constitution, Article 13A, Section 1(b)(3).

District Response: The District concurs with the finding and will annually issue a COC report discussing the Measure AA Bond Program activities. This report will be placed on the District’s website.

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**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
June 30, 2009**

**FINDING 08-1 – ESTABLISHMENT AND OPERATION OF
CITIZENS’ OVERSIGHT COMMITTEE**

Finding:

- The Citizens’ Oversight Committee was not convened within 60 days of the District’s Board’s certification of the election results as required by Education Code Section 15278.
- The Citizens’ Oversight Committee includes only 4 members. It does not include representatives of a business community organization, a bonafide taxpayers organization or a seventh member as required by Education Code Section 15282.

Recommendation:

- The District needs to vigorously continue its efforts to recruit the Citizens’ Oversight Committee members and to implement a viable committee to oversee Measure AA expenditures and to report to the community.

Current Status: Implemented.

FINDING 08-2 – MAINTENANCE OF MEASURE AA WEBSITE

Finding: Education Code section 15280 requires that documents and reports provided to the Citizens Oversight Committee (the Committee) and minutes of proceedings of the Committee be made available on a website maintained by the District to keep the community informed of committee activities. It also requires that reports made by the Committee be available on the website. Documents and reports reviewed at the February 7, 2008 Citizens’ Oversight Committee meeting were not posted to the website.

Recommendation:

The website should include timely posting of agendas for meetings, posting of documents and reports received by the Citizens’ Oversight Committee (the Committee), the approved minutes of Committee meetings and reports made by the Committee.

Current Status: Implemented.