

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

PERFORMANCE AUDIT

June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

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

We have conducted a performance audit of the Paramount Unified School District (the "District"), Measure AA General Obligation Bond Program for the year ended June 30, 2011.

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 Paramount Unified School District's compliance with the performance requirements for the Proposition 39 Measure AA General Obligation Bond Program 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.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of Paramount Unified School 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 the internal control.

The results of our tests indicated that, in all significant respects, Paramount Unified School District expended Measure AA General Obligation Bond Program for the year ended June 30, 2011 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 2, 2011

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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 have been expended only for the authorized bond projects.

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OBJECTIVES

The objectives of our performance audit were to:

- Document the expenditures charged to the Paramount Unified School District Measure AA Bond Program.
- Determine whether expenditures charged to the Measure AA Bond Program 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 or non-compliance with Education Code Sections (15278-15282) related to oversight of fund expenditures.
- 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, 2010 to June 30, 2011. 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, 2011 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 the period of July 1, 2010 to June 30, 2011 for the Measure AA Bond Program. In addition, we reviewed documentation, including the District's website, for compliance with Education Code Sections 15278-15282. 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:

- We reviewed the projects listed to be funded with general obligation bond proceeds as set out in the Measure AA election documents.
- We selected a sample of expenditures for the period of July 1, 2010 to June 30, 2011 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.
- We verified that funds expended from the Measure AA Bond Program were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects and we verified that funds held in the Measure AA Bond Building Fund were not used for salaries of school administrators or other operating expenses of the District.

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CONCLUSION

The results of our tests indicated that, in all significant respects, the Paramount Unified School District has properly accounted for the expenditures of the funds held in the Measure AA Bond Building Program and that such expenditures were made on authorized bond projects. Further, it was noted that the funds held in the Measure AA Bond Building Program and expended by the District were not expended for salaries of school administrators or other operating expenditures.

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SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011

There were no findings related to the performance audit for the fiscal year ended June 30, 2011.

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STATUS OF PRIOR YEAR FINDINGS
June 30, 2011

There were no findings related to the performance audit for the fiscal year ended June 30, 2010.