

PARAMOUNT UNIFIED SCHOOL DISTRICT

Independent Citizen's Bond Oversight Committee

Meeting Notes

The meeting was held on Monday, February 4, 2013 at 5:00 p.m. in the Board Room of PUSD Administrative Offices at 15110 California Avenue.

The following people attended the meeting: Michael Conroy (PUSD), Lydia Wingrove (COC member), Gary Endo (COC member), and Priscilla Osborne Flores (VLS Auditor).

Michael Conroy welcomed the new committee members. Lydia Wingrove replaces Ella Marie Bailey, representing the senior citizens in the community. Lydia is a retired PUSD employee and has knowledge of the facilities in the District. Gary Endo replaces Gene French, representing the Community. Gary has knowledge of the City of Paramount and surrounding communities and is a local Businessman.

Priscilla Osborne Flores represents Vicente, Lloyd and Stutzman LLP as an auditor for the annual report of Financial and Performance audits of the Measure AA Bond Program, in accordance with the Government Auditing Standards. Priscilla took the opportunity to review the roles and responsibilities of the Citizens Oversight Committee members, which are outlined in the State Education Code.

The opinion of VLS based on the Financial Audit of June 30, 2012 states there were "No Findings" in the financial statements, in all material respects, the financial position and results of operations for the Measure AA Bond Program of the Paramount Unified School District for the 2011-12 school year. This statement is in conformity with accounting principles generally accepted in the United States of America.

The opinion of VLS based on the Performance Audit of June 30, 2012 states there were "No Findings" to the performance audit. VLS indicated that, in all significant respects, 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 for the 2011-12 school year. 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.

There was a "Finding" noted that the Committee has had a vacant position for the majority of the year, resulting in only six members on the committee. Education Code requires a seven member active committee. The District has filled the vacant committee membership position in 2012-13.

A Review of Expenditures was distributed for each Measure AA project. This includes a culmination of all Measure AA expenditures, as well as individual projects. The pie charts will show the percentages of expenditures.

A brief summary of active construction projects include:

Paramount High School / West Campus has completed Phase 5 of the final construction at West Campus. The modernization work of the Auditorium and the Girls Locker Room has been turned over to the school for occupancy.

Hollydale K-8 School will begin construction in May with a 14 month timeline to construct a mini-gymnasium. This will provide the same high quality program as other Paramount middle grade students receive.

Adjournment.

Next meeting to be scheduled in June 2013.

Attachments: Reports for Financial and Performing Audits 2011-12
Project Expenditure Reports as of 12/31/12

Respectfully submitted by Patti Cummings



November 20, 2012

To the Board of Education
The Citizen's Oversight Committee
Paramount Unified School District

Dear Board of Education and Citizen's Oversight Committee Members:

This letter is intended to inform the Board of Education (Board) and Citizen's Oversight Committee (COC) Members about significant matters related to the conduct of the annual audit to appropriately discharge its oversight responsibility and so that we comply with our professional responsibilities to the Board/COC.

The District has issued bonds, Measure AA, under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution, and as such has engaged Vicenti, Lloyd & Stutzman LLP to perform an independent performance and financial audit of the bond proceeds from the sales of such bonds.

Our performance audit of the Measure AA bond proceeds was conducted in accordance with generally accepted governmental auditing standards (GAGAS) to provide reasonable assurance that evidence is sufficient to support the auditors' findings and conclusions. We believe our audit accomplished that objective.

The following summarizes various matters which must be communicated to you under auditing standards generally accepted in the United States of America.

The Auditor's Responsibility under Applicable Auditing Standards

Our audit of the financial statements of the Paramount Unified School District's (the District) Measure AA bond proceeds for the year ended June 30, 2012 was conducted in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. Accordingly, our audits were designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audits accomplished that objective.

Qualitative Aspects of Accounting Practices

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The significant accounting policies used by the District are described in Note 1 to the financial statements. The District did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period which should be brought to your attention for approval. No significant or unusual transactions or significant accounting policies related to controversial or emerging areas for which there is a lack of authoritative guidance or consensus were noted.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the District's financial statements is the recording of liability accruals at the end of the fiscal year. We believe management's estimates are reasonable, based on our audit. The financial statement disclosures are neutral, consistent and clear.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

There were no difficulties encountered in dealing with management relating to the performance of the audits.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Audit Adjustments/ Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no audit adjustments to the original trial balance presented to us.

We accumulated uncorrected misstatements which were discussed with management and were determined by management to be immaterial to the basic financial statements. Therefore, correcting adjustments were not made to the June 30, 2012 financial statements. These uncorrected amounts are summarized in the accompanying schedule (See Attachment A).

Management Representations

We have requested certain representations from management including but not limited to the fair presentation of the financial statements, application of generally accepted accounting principles and management's responsibility for establishing and maintaining effective internal controls. These as well as other representations are included in the management representation letter dated November 20, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. We are not aware of any consultations management had with other accountants regarding accounting or auditing matters.

Significant Issues Discussed with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Paramount Unified School District.

This report is intended solely for the information and use of management, the Board of Education, and members of the Citizen's Oversight Committee and 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

PARAMOUNT UNIFIED SCHOOL DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM**

FINANCIAL AUDIT

June 30, 2012

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

FINANCIAL AUDIT

June 30, 2012

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Balance Sheet – Measure AA Bond Program	2
Statement of Revenues, Expenditures and Change in Fund Balance – Measure AA Bond Program	3
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Measure AA Bond Program	4
Notes to Financial Statements	5-10
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	11-12
Schedule of Findings and Responses.....	13



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 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 Measure AA Bond Program of the Paramount Unified School District as of and for the year ended June 30, 2012. 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 Measure AA Bond Program 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 Measure AA Bond Program are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Measure AA Bond Program 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 Measure AA Bond Program of the Paramount Unified School District as of June 30, 2012, 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, 2012 on our consideration of the Paramount Unified School District's internal control over the Measure AA Bond Program financial reporting and 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 the internal control over the Measure AA Bond Program financial reporting 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

November 20, 2012

PARAMOUNT UNIFIED SCHOOL DISTRICT

BALANCE SHEET

PROPOSITION 39 GENERAL OBLIGATION BONDS

MEASURE AA BOND PROGRAM

June 30, 2012

ASSETS

Cash in County Treasury	\$	5,049
Cash with Fiscal Agent		<u>3,866,992</u>
TOTAL ASSETS	\$	<u><u>3,872,041</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$	<u>1,089,643</u>
TOTAL LIABILITIES		<u>1,089,643</u>

FUND BALANCE

Restricted		<u>2,782,398</u>
TOTAL FUND BALANCE		<u>2,782,398</u>
TOTAL LIABILITIES AND FUND BALANCE	\$	<u><u>3,872,041</u></u>

See the accompanying notes to the financial statements.

PARAMOUNT UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM
For the Fiscal Year Ended June 30, 2012

REVENUES

Other Local Sources \$ 75,982

TOTAL REVENUES 75,982

EXPENDITURES

Supplies and Materials 1,272,791

Services and Other Operating Expenditures 2,379,936

Capital Outlay 26,328,137

Debt Service 989,700

TOTAL EXPENDITURES 30,970,564

Deficiency of Revenues Over Expenditures (30,894,582)

OTHER FINANCING SOURCES (USES)

Proceeds from Sale of General Obligation Bonds 34,044,316

Premium on Issuance of General Obligation Bonds 681,731

Repayment of Bond Anticipation Note (34,000,000)

TOTAL OTHER FINANCING SOURCES (USES) 726,047

Net change in Fund Balance (30,168,535)

Fund Balance at Beginning of Year 32,950,933

Fund Balance at End of Year \$ 2,782,398

See the accompanying notes to the financial statements.

PARAMOUNT UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL OBLIGATION BONDS**

MEASURE AA BOND PROGRAM

For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Other Local Revenue	\$ _____	\$ 75,982	\$ 75,982
TOTAL REVENUES	<u> -</u>	<u> 75,982</u>	<u> 75,982</u>
EXPENDITURES			
Supplies and Materials	1,247,350	1,272,791	(25,441)
Services and Other Operating Expenditures	1,153,497	2,379,936	(1,226,439)
Capital Outlay	26,822,426	26,328,137	494,289
Debt Service	_____	<u> 989,700</u>	<u> (989,700)</u>
TOTAL EXPENDITURES	<u> 29,223,273</u>	<u> 30,970,564</u>	<u> (1,747,291)</u>
Deficiency of Revenues Over Expenditures	<u> (29,223,273)</u>	<u> (30,894,582)</u>	<u> (1,671,309)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of General Obligation Bonds		34,044,316	34,044,316
Premium on Issuance of General Obligation Bonds		681,731	681,731
Repayment of Bond Anticipation Note		<u> (34,000,000)</u>	<u> (34,000,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u> -</u>	<u> 726,047</u>	<u> 726,047</u>
Net Change in Fund Balance	<u> \$ (29,223,273)</u>	<u> (30,168,535)</u>	<u> \$ (945,262)</u>
Fund Balance at Beginning of Year		<u> 32,950,933</u>	
Fund Balance at End of Year		<u> \$ 2,782,398</u>	

See the accompanying notes to the financial statements.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 Measure AA Bond Program related to the current reporting period. Expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, this statement does not purport to present the results 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 Measure AA Bond Program of the Paramount 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).

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 titled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

FUND BALANCE CLASSIFICATION

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications used in the governmental fund financial statements are as follows:

Restricted: Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

CAPITAL ASSETS AND LONG-TERM DEBT

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Measure AA Bond Program are determined by its measurement focus. The Measure AA Bond Program 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 Measure AA Bond Program are accounted for in the basic financial statements of the Paramount Unified School District.

ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 – DEPOSITS:

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial risk. As of June 30, 2012, all of the District's total bank balance of \$3,866,992 was exposed to credit risk as follows:

Uninsured and uncollateralized	\$3,866,992
--------------------------------	-------------

The entire balance of the uninsured and uncollateralized deposits are held with a credit worthy, high quality financial institution. The entire balance of the uninsured and uncollateralized amount is invested in U.S. Bank Money Market Demand Accounts and is fully backed by the credit of U.S. Bank. The bank is rated A-1+ by Standard & Poor's.

Cash in County

In accordance with Education Code Section 41001, the District maintains 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 may differ from fair value. The fair market value of the District's deposits for the measure AA Bond Program in this pool as of June 30, 2012, as provided by the pool sponsor, was \$5,055.

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.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 – PURCHASE COMMITMENTS:

As of June 30, 2012, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$9,952,000. Projects will be funded through bond proceeds and the County School Facility Fund.

NOTE 4 – GENERAL OBLIGATION BONDS:

A. 2006 Bonds – Series 2007

On November 7, 2006, the voters approved the issuance of bonds, not to exceed \$100,000,000 for the purpose of financing the acquisition, construction and modernization of District facilities.

On August 28, 2007, the District offered for sale \$32,000,000 of general obligation bonds under the provisions of Title I, Division 1, Part 10, Chapters 1 and 1.5 of the State of California Education Code, commencing with Section 15100, as amended, and Article XIII A of the California Constitution and pursuant to resolutions adopted by the Board of Education of the District and by the Board of Supervisors of the County of Los Angeles.

Interest on the bonds is payable on each February 1 and August 1 beginning February 1, 2008. Principal of the bonds is payable on August 1 each year. Interest rates range from 4.25% to 5.25%.

The annual requirements to amortize Series 2007 Bonds payable, outstanding as of June 30, 2012, are as follows:

Year Ended June 30	Principal	Interest	Total
2013	\$ 420,000	\$ 1,406,374	\$ 1,826,374
2014	530,000	1,385,524	1,915,524
2015	260,000	1,367,749	1,627,749
2016	350,000	1,354,024	1,704,024
2017	450,000	1,336,024	1,786,024
2018-2022	3,520,000	6,288,393	9,808,393
2023-2027	7,030,000	5,025,038	12,055,038
2028-2032	12,115,000	2,545,595	14,660,595
2033	3,170,000	83,212	3,253,212
Total	<u>\$ 27,845,000</u>	<u>\$ 20,791,933</u>	<u>\$ 48,636,933</u>

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 – GENERAL OBLIGATION BONDS: (continued)

A. 2006 Bonds – Series 2007 (continued)

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 Paramount Unified School District's basic financial statements. The recognition of premiums on bonds is recorded as long-term liabilities and the recognition of issuance costs is recognized as capitalized fees in the basic financial statements of the Paramount Unified School District.

B. 2006 Bonds Series 2011

On November 29, 2011 the District offered for sale \$34,044,316 of general obligation bonds under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"), Article XIII A of the California Constitution and pursuant to resolution to be adopted by the Board of Supervisors of the County of Los Angeles, pursuant to a request by the District.

Interest on the bonds is payable on each February 1 and August 1, beginning February 1, 2012. Principal of the bonds is payable on August 1 each year. Interest rates range from 2.0% to 12.0%.

Year Ended June 30	Principal	Interest	Accreted Interest Component	Total
2013	\$ 180,000	\$ 472,526	\$	\$ 652,526
2014	10,000	563,600		573,600
2015	-	563,500		563,500
2016	-	563,500		563,500
2017	29,007	563,500	20,993	613,500
2018-2022	854,540	2,817,500	1,380,460	5,052,500
2023-2027	806,170	8,744,975	753,830	10,304,975
2028-2032	847,318	10,226,844	1,872,682	12,946,844
2033-2037	3,587,745	10,226,844	13,222,255	27,036,844
2038-2042	4,129,706	10,226,844	23,277,512	37,634,062
2043-2047	23,599,830	6,211,102	17,435,170	47,246,102
Total	<u>\$ 34,044,316</u>	<u>\$ 51,180,735</u>	<u>\$ 57,962,902</u>	<u>\$ 143,187,953</u>

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 – BOND ANTICIPATION NOTES:

2010 Bond Anticipation Notes, Series A and B

The District issued Bond Anticipation Notes Series A in the amount of \$34,000,000 and Series B \$30,000,000 on September 9, 2010 for the purpose of financing the acquisition, construction and modernization of District facilities. The Bond Anticipation Notes yield ranges from 1.37% to 2.56%. Series A was repaid on December 1, 2011 with the 2011 General Obligation Bond issued November 29, 2011. Series B is expected to be repaid on September 1, 2014. This issuance is part of the November 7, 2006 voter approved issuance of bonds, not to exceed \$100,000,000.

NOTE 6 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

Excesses of expenditures over appropriations, by major object accounts, occurred in the following:

Supplies and materials	\$ 25,441
Services and other operating expenditures	1,226,439
Debt service	989,700



**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' Oversight Committee
Paramount Unified School District
15110 S. California Avenue
Paramount, CA 90723

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 Measure AA Bond Program of the Paramount Unified School District as of and for the year ended June 30, 2012. 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

Management of Paramount Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Paramount Unified School District's internal control over the Measure AA Bond program financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Measure AA Bond Program 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 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 financial statements will not be prevented or detected and corrected on a timely basis.

**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***

Our consideration of internal control over fund financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Paramount Unified School District's Measure AA Bond Program fund 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 of the Measure AA Bond Program disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board, and the Citizen's Oversight Committee and 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

November 20, 2012

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

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012

There were no findings related to the financial audit of the Measure AA Bond Program for fiscal years ended June 30, 2011 or 2012.

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

PERFORMANCE AUDIT

June 30, 2012

PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM
PERFORMANCE AUDIT
June 30, 2012

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Background Information	2
Objectives	3
Scope of the Audit.....	3
Procedures Performed	4
Conclusion	5
Schedule of Findings and Responses.....	6
Status of Prior Year Findings.....	7



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, 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 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, 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

November 20, 2012

PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM
PERFORMANCE AUDIT
June 30, 2012

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.

PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM
PERFORMANCE AUDIT
June 30, 2012

OBJECTIVES

The objectives of our performance audit were to:

- Determine 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.
- Determine compliance with specific California Education Code sections related to oversight of bond expenditures.
- 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, 2011 to June 30, 2012. 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, 2012 were not reviewed or included within the scope of our audit or in this report.

PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM
PERFORMANCE AUDIT
June 30, 2012

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the period of July 1, 2011 to June 30, 2012 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, 2011 to June 30, 2012 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.

PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM
PERFORMANCE AUDIT
June 30, 2012

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.

We did, however, note a matter which should be considered related to procedural requirements described in the accompanying schedule of findings and responses. Our audit does not provide a legal determination on the District's compliance with these requirements.

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

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012

FINDING 12-1 – CITIZENS’ BOND OVERSIGHT COMMITTEE

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 a majority of the year, resulting in only six members on the committee during this time span. However, per Section 15282 of the Education Code, the Citizens’ Bond Oversight Committee must consist of at least seven members.

Recommendation: The District should continue its efforts to fill any open vacancy of a member position in an effective and timely manner.

District Response: The District filled the vacant committee membership position in 2012-13.

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

STATUS OF PRIOR YEAR FINDINGS
June 30, 2012

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