

PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE I
FINANCIAL AND PERFORMANCE AUDITS
YEAR ENDED JUNE 30, 2023



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**FINANCIAL AUDIT OF MEASURE I
GENERAL OBLIGATION BONDS**



INDEPENDENT AUDITORS' REPORT

Board of Education
Measure I Citizens' Oversight Committee
Paramount Unified School District
Paramount, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Measure I Bond Building Fund of the Paramount Unified School District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure I Bond Building Fund of the District as of June 30, 2023, and the change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure I Bond Building Fund and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2023 or the changes in its financial position 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.

Responsibilities of Management 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; and for 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

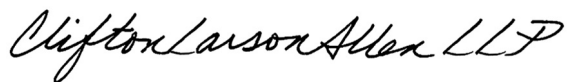
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Education
Measure I Citizens' Oversight Committee
Paramount Unified School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2023 on our consideration of the District's internal control over the Measure I Bond Building Fund 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 solely 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 effectiveness of the District's internal control over the Measure I Bond Building Fund 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 the Measure I Bond Building Fund financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Glendora, California
November 14, 2023

**PARAMOUNT UNIFIED SCHOOL DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
BALANCE SHEET
JUNE 30, 2023**

	<u>Measure I</u>
ASSETS	
Cash in County Treasury	\$ 38,361,085
Accounts Receivable	<u>394,300</u>
Total Assets	<u><u>\$ 38,755,385</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	<u>\$ 1,693,260</u>
Total Liabilities	1,693,260
FUND BALANCE	
Restricted	<u>37,062,125</u>
Total Fund Balance	<u><u>37,062,125</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 38,755,385</u></u>

See accompanying Notes to Financial Statements.

**PARAMOUNT UNIFIED SCHOOL DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2023**

	<u>Measure I</u>
REVENUES	
Interest and Investment Income	<u>\$ 1,218,609</u>
Total Revenues	1,218,609
EXPENDITURES	
Supplies	798,388
Services and Other Operating Expenditures	2,365,225
Capital Outlay	<u>7,083,474</u>
Total Expenditures	10,247,087
NET CHANGE IN FUND BALANCE	(9,028,478)
Fund Balance - Beginning of Year	<u>46,090,603</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 37,062,125</u></u>

See accompanying Notes to Financial Statements.

**PARAMOUNT UNIFIED SCHOOL DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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.

Financial Reporting Entity

The financial statements include only the Measure I Bond Building Fund of Paramount Unified School District (the District) used to account for Measure I projects. This fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2016 and is a complete representation of the Building Fund reported in the District's financial statements. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

Basis of Accounting

The Measure I Bond Building Fund 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.

Fund Structure

The statement of revenues, expenditures, and changes in fund balance is a statement of financial activities of the Measure I Bond Building Fund related to the current reporting period. Fund expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

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. 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 are considered restricted. The fund balance of the Measure I Bond Building Fund is therefore classified as restricted.

**PARAMOUNT UNIFIED SCHOOL DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Long-Term Debt

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

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

NOTE 2 DEPOSITS — CASH IN COUNTY TREASURY

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2023 is measured at 95.17% of amortized cost. The District’s deposits in the fund are considered to be highly liquid.

The county is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635, and 53648. The county is restricted 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. Any investment losses are proportionately shared by all funds in the pool. Any investment losses are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statues and the County Board of Supervisors set forth the various investment policies that the Country Treasurer follow. The method used to determine the value of the participant’s equity withdrawn is based on the book value, which is amortized cost, of the participant’s percentage participation on the date of such withdrawals.

The pool sponsor’s annual financial report may be obtained from the Los Angeles County Public Affairs Office, Kenneth Hahn Hall of Administration, 500 W. Temple St, Room 358, Los Angeles, CA 90012.

**PARAMOUNT UNIFIED SCHOOL DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 PURCHASE COMMITMENTS

As of June 30, 2023, the District was committed under various capital expenditure purchase agreements for bond projects totaling approximately \$4.27 million for Measure I.

NOTE 4 BONDED DEBT

Measure I

In November 2016, \$106 million in general obligation bonds were authorized by an election (Measure I) held within the District. The bonds were authorized to finance specific construction, repair and improvement projects approved by the voters of the District. General Obligation Bonds, Election 2016, Series 2017A was issued on June 13, 2017 for \$25,670,000 with a premium of \$2,606,912 to be amortized at \$89,894 per year which began in 2018-19. General Obligation Bonds, Series 2019B was issued on March 27, 2019 for \$30,496,089 with a premium of \$1,565,641 to be amortized at \$52,188 per year beginning in 2019-20. General Obligation Bonds, Series 2020C was issued on November 18, 2020 for \$49,830,000.

Payments

Interest due is payable semi-annually on February 1 and August 1 of each year. The principal with respect to the bonds is payable upon maturity or upon redemption in whole or in part. The bonds are issuable as fully registered bonds in denomination of \$5,000 or any integral multiple thereof.

Capital appreciation bonds were issued as part of Measure I: Series B with maturities dates listed below. Prior to the applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable upon maturity or prior payment of the principal component.

**PARAMOUNT UNIFIED SCHOOL DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 BONDED DEBT (CONTINUED)

The outstanding general obligation bonded debt of the District at June 30, 2023 is:

<u>General Obligation Bonds</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate %</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2023</u>
Measure I 2016:					
Series 2017A	6/13/2017	8/1/2046	3.00-5.00	\$ 25,670,000	\$ 18,385,000
Series 2019B	3/27/2019	8/1/2049	3.00-5.01	30,496,089	26,611,089
Series 2020C	11/18/2020	8/1/2050	.507-4.00	49,830,000	45,895,000
Total 2016				<u>\$ 105,996,089</u>	<u>\$ 90,891,089</u>

The annual debt service requirements to maturity as of June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>
2024	\$ 595,000	\$ 3,110,556	\$ -
2025	620,000	3,084,407	-
2026	755,000	3,054,107	-
2027	915,000	3,016,781	-
2028	1,100,000	2,969,506	-
2029-2033	8,715,000	13,868,306	-
2034-2038	12,044,154	12,243,047	3,105,846
2039-2043	17,971,935	10,198,994	5,053,065
2044-2048	32,355,000	5,663,158	-
2049-2052	15,820,000	667,050	-
Total	<u>\$ 90,891,089</u>	<u>\$ 57,875,911</u>	<u>\$ 8,158,911</u>



**INDEPENDENT AUDITOR'S 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
Measure I Citizens' Oversight Committee
Paramount Unified School District
Paramount, 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 I Bond Building Fund of the Paramount Unified School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements as listed in the table of contents, and have issued our report thereon dated November 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity'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.

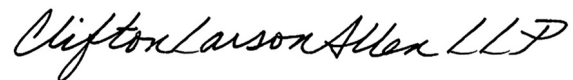
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements of the Measure I Bond Building Fund are free from 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Glendora, California
November 14, 2023

**PARAMOUNT UNIFIED SCHOOL DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
SCHEDULES OF FINDINGS AND RESPONSES
JUNE 30, 2023**

There were no findings related to the financial audit of the Measure I Bond Building Fund for the year ended June 30, 2023. In addition, there were no findings related to the financial audit of the Measure AA and Measure I Bond Building Fund for the year ended June 30, 2022.

**PERFORMANCE AUDIT OF GENERAL OBLIGATION BONDS
MEASURE I**



INDEPENDENT AUDITORS' REPORT ON PROPOSITION 39 COMPLIANCE REQUIREMENTS

Board of Education
Measure I and Citizens' Oversight Committee
Paramount Unified School District
Paramount, California

We have conducted a performance audit of the Paramount Unified School District (the District) Measure I bond funds for the year ended June 30, 2023.

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 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.

Our audit was limited to the objectives listed on page 15 of this report, which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure I bond funds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution. 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 I bond funds for the fiscal year ended June 30, 2023, 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.

CliftonLarsonAllen LLP

Glendora, California
November 14, 2023

**PARAMOUNT UNIFIED SCHOOL DISTRICT
PERFORMANCE AUDIT OF MEASURE I
JUNE 30, 2023**

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 2016, \$106 million in general obligation bonds were authorized by an election (Measure I) held within the District. The bonds were authorized to finance specific construction, repair and improvement projects approved by the voters of the District. General Obligation Bonds, Election 2016, Series 2017A was issued June 13, 2017 for \$25,670,000 with a premium of \$2,606,912. On March 27, 2019 General Obligation Bonds, Series 2019B for \$30,496,089 was issued with a premium of \$1,565,641. General Obligation Bonds, Series 2020C was issued on November 18, 2020 for \$49,830,000.

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 I 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 Measure I Bond Building Fund have been expended only for the authorized bond projects.

OBJECTIVES

The objectives of our performance audit were to:

- Determine the expenditures charged to the District Measure I Bond Building Fund.
- Determine whether expenditures charged to the Measure I Bond Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure I in November 2016.
- Provide the District Board and the Measure I Citizens' Oversight Committee with a performance audit as required under the provisions of the California Constitution.

**PARAMOUNT UNIFIED SCHOOL DISTRICT
PERFORMANCE AUDIT OF MEASURE I
JUNE 30, 2023**

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal period from July 1, 2022 to June 30, 2023. 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, 2023 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, 2023 for Measure I. 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 Measure I with regards to the approved bond projects lists. We performed the following procedures:

- We identified the expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing for Measure I.
- We selected a judgmental sample of expenditures for supplies, services, and capital outlay considering all projects for the year ended June 30, 2023. Our sample included 40 transactions totaling \$5,814,648. This represents 57% of the total expenditures of \$10,247,087.
 - We reviewed the actual invoices and supporting documentation to determine that expenditures charged to projects were:
 - Supported by invoices with evidence of proper approval and documentation of receipt of goods or services;
 - Supported by proper bid documentation, as applicable;
 - Were properly expended on the authorized bond projects as listed on the voter-approved bond project list.

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 Measure I Bond Building Fund and that such expenditures were made on authorized bond projects.

